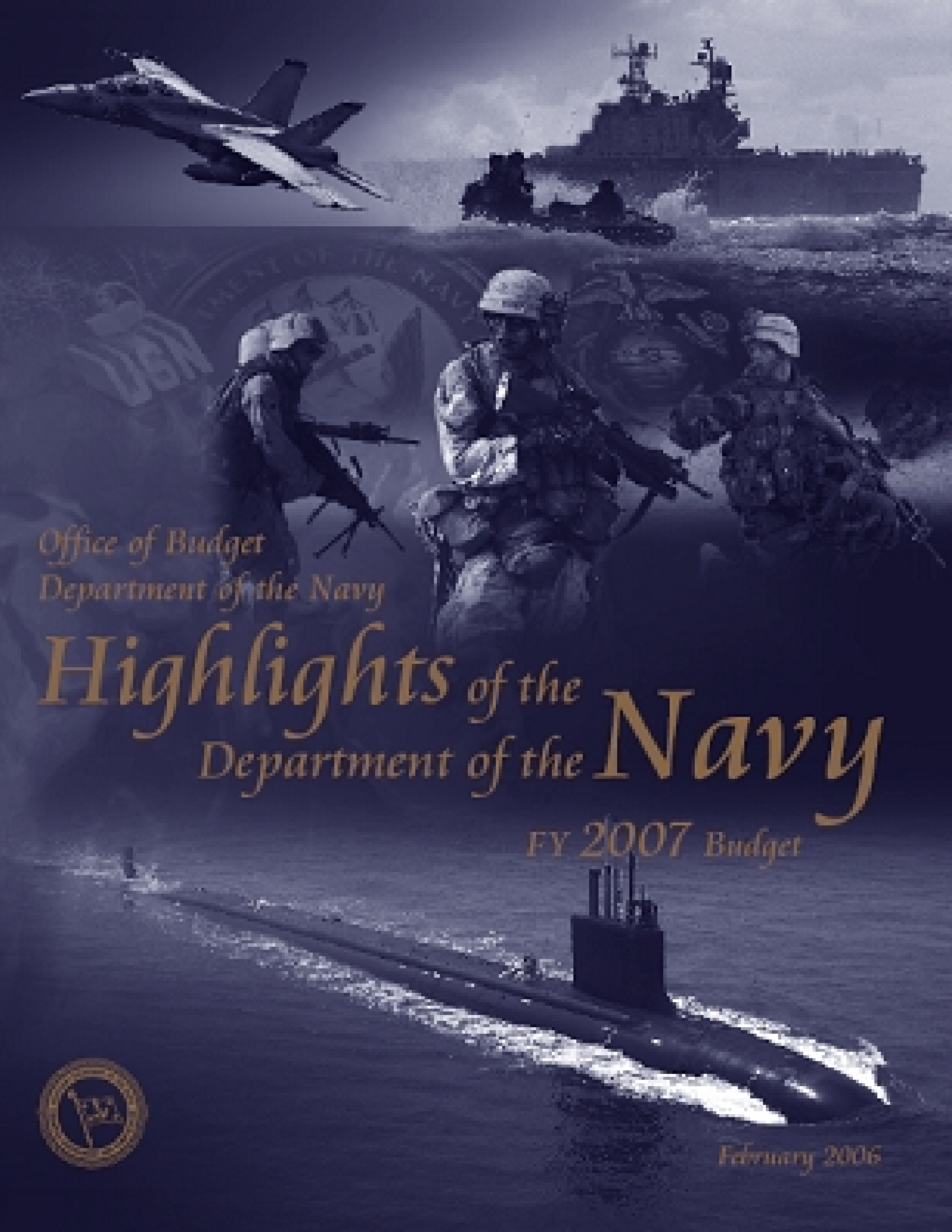

Office of Budget
Department of the Navy

# Highlights of the Department of the Navy

FY 2007 Budget

February 2006

# Department of the Navy
# FY 2007 Budget
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# SECTION I - INTRODUCTION

## OVERVIEW

The FY 2007 budget builds upon the FY 2006 President's Budget, begins to implement the 2005 Quadrennial Defense Review (QDR), and continues to respond to current National demands, even as we aggressively transform our forces to prepare for the uncertainties of the future. We live in a challenging new era. This is a time of promise and developing partnerships, but also a time of irregular and increasingly unrestricted warfare. We are a nation at war. Global threats are proving ever more complex and unpredictable—from conventional threats posed by nation-states to terrorists armed with improvised explosive devices. Our enemies will resort to whatever means are available to wreak havoc and destruction—physically, economically, and psychologically—unhindered and unconstrained by moral conscience or social norms. Their intent is to destroy our way of life. To be effective in this environment, we must be ever vigilant in using our limited fiscal resources efficiently and effectively. We must provide the right force for the nation today, while we work to shape our 21st century manpower, change the way we fight, and improve infrastructure and business practices to yield a timely and cost effective result.

The 2005 QDR continues the two fundamental imperatives of the 2001 QDR. First, we are continuing to shift the balance of capabilities towards a more agile military, one that is prepared for the wider asymmetric challenges and uncertainties in the next 20 years. Additionally, we continue to implement enterprise-wide reforms to ensure structures and processes support the Department's strategic direction. The FY 2007 budget also reflects the QDR's refined Force Planning Construct, which better defines our responsibility for homeland defense within a wider Federal government framework, expands emphasis on the Global War on Terrorism, and accounts for steady-state demands as well as surge activities over a multi-year period. These reforms provide greater flexibility for the President and more effective capabilities for the joint warfighter.

Winning the Global War On Terrorism (GWOT) is our number one priority, and the budget continues to support this goal. The Department's Fleet Response Plan (FRP) produces adaptable force packages and better sustains readiness throughout a unit's

operational cycle, decreasing a carrier's down time and enabling almost immediate deployment of up to six of the Navy's carrier strike groups (CSGs), and additional

CSGs within 90 days. In 2005 Navy and Marine Corps achievements in support of the Global War On Terrorism proved critical to our strategy to achieve wartime objectives. A Marine Expeditionary Force conducted operations in Al Anbar province—the heart of the Baathist insurgency—and was successful in ensuring security for historic elections in January and December 2005, both of which represented significant victories in the steady march toward the final defeat of a vile and discredited regime. Over 2,000 Marines executed missions in Afghanistan and the Horn of Africa, and nearly 9,000 Sailors were assigned to Central Command in various missions in support of the Global War On Terrorism.

The flexibility and professionalism of naval forces were on display in these military operations and also in providing humanitarian relief to victims of disasters in Indonesia and Pakistan and at home on our Gulf Coast after Hurricane Katrina. In carrying out these missions, from New Orleans to Baghdad, naval forces performed superbly, taking advantage of our unique capabilities from the sea to engage the enemy or rescue the homeless, achieving objectives ranging from building a school to destroying a terrorist enclave. The success of the Navy and Marine Corps in executing the wide array of missions this year suggests that our efforts to provide the right force today while preparing for the uncertainties of tomorrow are striking the right balance.

The FY 2007 budget makes a significant advance in building a fleet for the future. The Department's continued transformation emphasizes joint capabilities rather than individual programs. The budget lays the foundation of our path to the next generation of warfighting platforms. Our force structure will meet our joint core warfighting presence and war on terror demands. New platforms such as CVN-21, DD(X), CG(X), Littoral Combat Ship (LCS), *Virginia* Class SSN, LPD-17, LHA(R), and the MPF family of ships will comprise the next generation of battle force ships. The

Department is also replacing costly older aviation systems with more efficient and capable integrated systems, including F/A-18E/F, EA-18G, MV-22, Joint Strike Fighter, E-2D, modern MH-60 helicopters, Multi-Mission Aircraft (MMA), and BAMS UAV. A revitalized ship force structure, along with streamlined aviation platforms, will meet joint warfighting, presence, and War on Terrorism demands.

In addition to the new generation of warfighting platforms, a number of new joint capabilities, outlined in the 2005 QDR, are funded in the FY 2007 budget. The Expeditionary Security Force increases the effectiveness of maritime interdiction operations by supporting intercept and boarding capabilities in every strike group. The National Maritime Intelligence Integration Center increases maritime domain awareness through improved integration with interagency and international partners. Riverine capability fills a critical capability gap and provides additional opportunities to enhance partner-nation capabilities and capacity. Finally, the establishment of the Marine Corps component of the Special Operations Command (MARSOC) enhances interoperability and provides greater flexibility and increased capability to fight the war on terrorism. MARSOC will provide a unique combination of land components and maritime expeditionary capabilities across a wide range of missions supporting the QDR initiative to strengthen the Nation's ability to respond to irregular warfare.

People are the key ingredient to producing readiness and enhancing capabilities. We have thus far been very successful in winning the battle for people, and our

budget must preserve our commitment to the workforce. However, that workforce is not static. The Marine Corps has shown high adaptability in meeting new and intense manpower demands through better utilization of active and reserve forces, military/civilian conversion, and flexible strength levels. Navy personnel levels can and will decline as we transform our force and enhance future capabilities, but the shape of the manpower force must also be transformed, guided by a human capital strategy that delivers the right skills, at the right time, for the right work. We continue to strive to achieve a higher quality of service for our Sailors, Marines, and civilians. Training our Sailors and Marines is critical to implementing transformation initiatives and to ensure optimum results. The Department is transforming the naval personnel force by creating modern human resource systems to achieve the objectives of *Sea Power 21* and *21st Century Marine Corps*, and is implementing the National Security Personnel System.

The Department is transforming our business processes, consistent with the President's Management Agenda objective of improving financial management in the government. A mid/long-term effort involves investing in a significantly improved and integrated automated environment. This environment will be compliant with the broad DoD Business Enterprise Architecture/Modernization program using the Converged Navy Enterprise Resource Planning System (ERP) as the cornerstone. The ERP deployments will reshape and standardize business processes, producing more reliable financial information for decision-making. Ultimately, a clean audit opinion from an external source will validate the success of our desired outcomes. In the short/near term, both Navy and Marine Corps are pursuing a variety of initiatives to enhance the effectiveness of current business processes. The Navy Marine Corps Intranet will be fully fielded this year, and we expect increased efficiency and effectiveness by reducing legacy networks, and through application rationalization and reduction. Our budget also maintains a robust focus on infrastructure management and improvement. A consolidated Navy installation management command will continue to provide the best return on constrained shore support resources, and our people are engaged in activities to carry out the base realignment and closure decisions approved for implementation.

## *NAVAL POWER 21 - A NAVAL VISION*

The Department of the Navy team is the United States Navy and the United States Marine Corps. Each has distinct and complementary missions that are integrated not only with each other, but also with the other Services, other federal and state agencies, and coalition forces. As part of a joint warfighting team, the Navy and Marine Corps will control the seas and project power, defense, and influence beyond the sea. Our forces will use the sovereignty of the sea and enhanced, networked seabasing to operate without restriction. Our forward expeditionary nature will provide persistent warfighting capabilities and sustained American influence wherever we may be called to deploy. We will assure our friends and allies, that together with the U.S. Army, U.S. Air Force, and U.S. Coast Guard, we will

dissuade, deter, and defeat our nation's enemies. Our Sailors, Marines, and civilians will leverage innovative organizations, concepts, technologies, and business practices to achieve order of magnitude increases in warfighting effectiveness. Sea-Air-Land and Space will be our domain.

Above all, the Navy and Marine Corps defend our homeland, both through our actions overseas and by our efforts at home. Our vision to achieve this is based on three fundamental pillars:

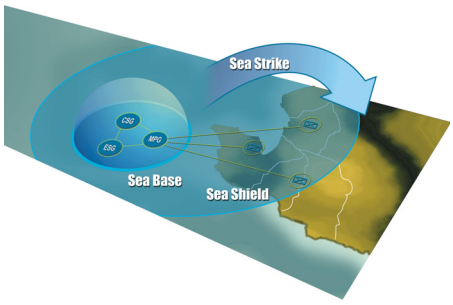
I. *We assure access*. Assuring seabased access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts. Our nation counts on us to do this.

II. *We fight and win*. Projecting power to influence events at sea and ashore both at home and overseas. We project both offensive power and defensive capability. It defines who we are.

III. *We are continually transforming to improve.* Transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education, and our approach to people. The ability to continuously transform is at the heart of America's competitive advantage and a foundation of our strength.

This vision, supported by the capabilities generated by the Navy's *Sea Power 21* and *21st Century Marine Corps*, serves as the way ahead for Navy and Marine Corps operations and programs. These documents define our advance into the future as part of a joint force, and focus efforts and resources within each Service.

Seabasing is the overarching framework within which the Navy and Marine Corps will transform our core capabilities to increase the effect of naval forces in joint campaigns. As enemy access to weapons of mass destruction grows, and access to overseas bases declines, it is compelling both militarily and politically to reduce the vulnerability of US forces through expanded use of secure, agile, networked sea bases.




Seabasing capabilities will provide joint force commanders with global command and control and extend integrated logistical support to the other Services' forces. Afloat positioning of these capabilities strengthens force protection and frees airlift

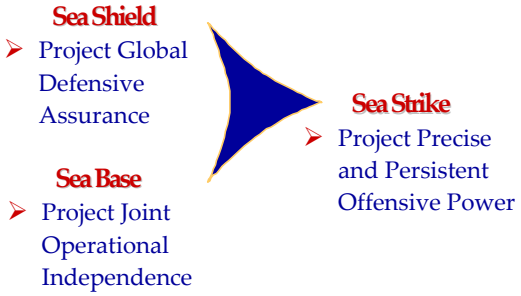
and sealift assets to support missions ashore. Seabasing also serves as the foundation from which both offensive and defensive fires are projected. Seabasing effectively integrates the transformational thrust of *21st Century Marine Corps* and *Sea Power 21*.

## *SEA POWER 21*

*Sea Power 21* is the Navy's vision to align, organize, integrate, and transform to meet the challenges that lie ahead. It requires us to continually and aggressively reach. It is global in scope, fully joint in execution, and dedicated to transformation. It reinforces and expands concepts being pursued by the other Services - long-range strike; global intelligence, surveillance, and reconnaissance; expeditionary maneuver warfare; and light, agile ground forces - to generate maximum combat power from the joint team.

*Sea Power 21* establishes fundamental capability areas together with superior information technology to guide the Navy's transformation efforts with the Marine Corps and joint partnerships. These areas include:

- *Sea Strike* - broadened concept for naval power projection that leverages enhanced command, control, and intelligence; precision; stealth; and endurance.
- *Sea Shield* - develops naval capabilities in the areas of homeland defense, sea control, assured access, and projection of defense overland.




- *Sea Base* - projects US sovereignty from the sea and provides joint force commanders with command and control, fires, and logistical support from secure sea bases - effectively making Sea Strike and Sea Shield a reality.
- *ForceNet* - the "glue" that binds together Sea Strike, Sea Shield and Sea Base. It integrates warriors, platforms, sensors, weapons and logistics into a networked and distributed combat force.

The powerful warfighting capabilities of *Sea Power 21* will ensure that our joint force dominates the unified battlespace of the 21st century, strengthening America's ability to assure friends, deter adversaries, and triumph over enemies - anywhere, anytime.

## *THE 21ST CENTURY MARINE CORPS*

The strategy for the *21st Century Marine Corps* is *Creating Stability in an Unstable World.* This strategy provides the vision, intent, and guidance that will evolve the capabilities required of the Corps in a changing security environment. It describes how the Marine Corps will retain its traditional characteristics as a primarily naval, expeditionary combat force-in-readiness, while developing the skills and capabilities necessary to operate and excel across the spectrum of conflict. Accessing denied areas from great distances, we will project Marine forces from land or sea bases for operations as part of a joint or combined force. Marine forces will provide defense of the homeland by operating from forward deployed locations throughout the world, and will sustain those deployed forces for extended periods of time.

While Marines will be ready to fight across the spectrum of conflict, the *21st Century Marine Corps* emphasizes that our future will be characterized by irregular wars. We will exploit the speed, flexibility, and agility inherent in our combined-arms approach to defeat traditional, terrorist, and emerging threats to our Nation's security. Towards that end, the *21st Century Marine Corps* provides the following guidance:

- Create Marines who thrive in chaotic and uncertain environments through improved training and education in foreign languages, cultural awareness, tactical intelligence and urban operations. Train, educate, orient and equip all Marines to operate skillfully across the wide spectrum of operations, blending the need for combat skills and counter-insurgency skills with those required for civil affairs.
- Implement Distributed Operations as an extension of maneuver warfare by enhancing small units so they are more autonomous, more lethal, and better able to operate across the full spectrum of operations. This will require individual communications, tactical mobility, and networked intelligence down to the squad level, plus adaptive and scalable logistics and fires

capabilities to support these small units, whether dispersed across the battle space or aggregated for larger operations.

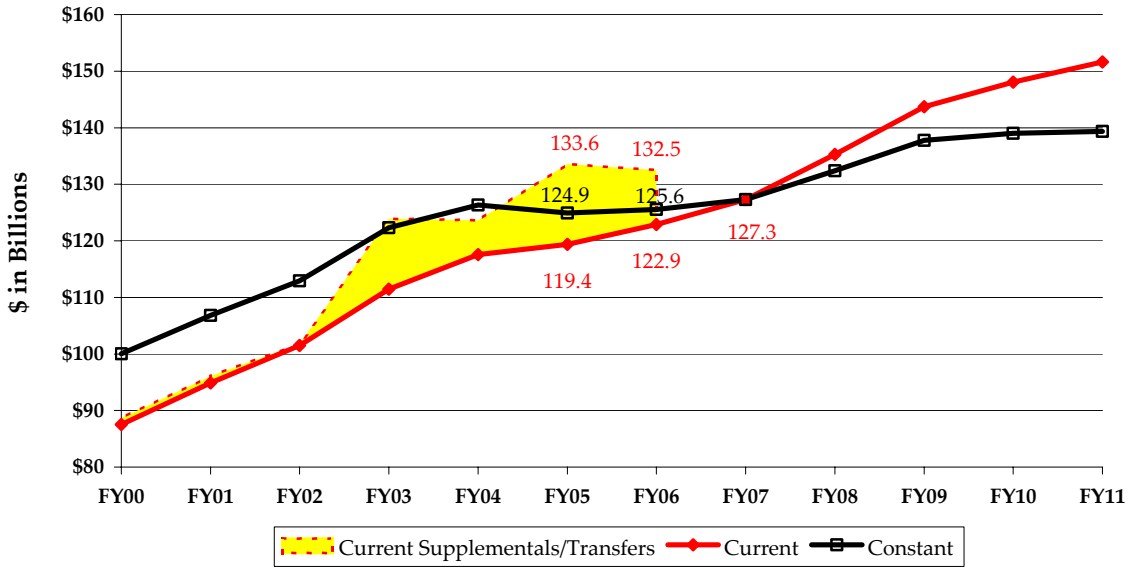
- Work with partner nations in order to enhance regional security and stability while placing new emphasis on interaction and coordination with interagency and international forces.
- Adapt our tactics, techniques and procedures as well as technology to enhance our capabilities to succeed in irregular conflict in urban environments. Shape and enhance the capabilities of our reserve forces to respond to the 21st Century environment, and improve our integration and coordination with Special Operations Command.
- Continue to enhance and transform our capabilities for forcible entry from the sea. Seabasing will significantly reduce our deploy/employ timelines while also dramatically reducing our footprint ashore.

The *21st Century Marine Corps* defines our desired end state as a Marine Corps that celebrates its culture and ethos, but is never satisfied with its current capabilities and operational performance--a learning organization that embraces innovation and improvement in order to increase its effectiveness as part of the Joint Force.

# *RESOURCE TRENDS*

The FY 2007 budget reflects a balance between keeping today's force ready and transforming for the future.

## *Chart 1 - Department of the Navy Topline FY 2000 - FY 2011*

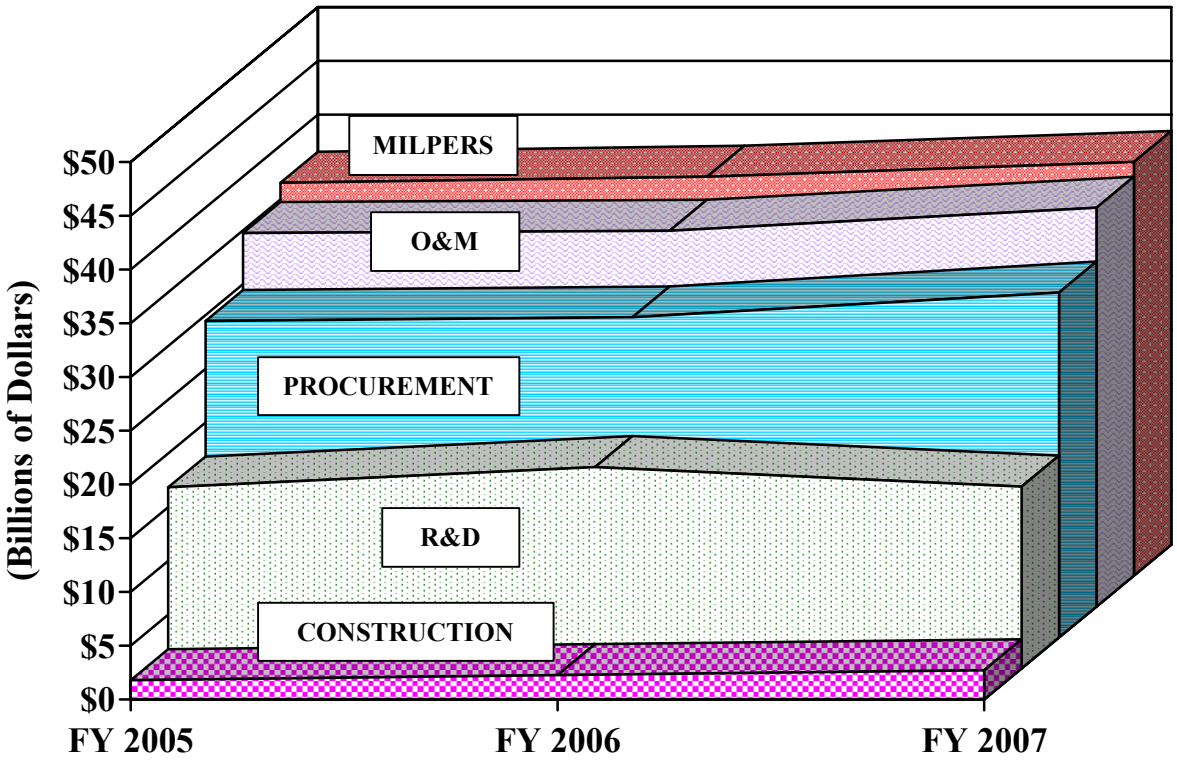



Note: Chart 1 reflects the current budget adjusted to facilitate year-to-year comparison. First, the current dollars for FY 2000 through FY 2011 have been reduced to exclude supplementals and transfers. Second, the resulting profile is expressed in constant dollars to eliminate the effect of inflation and other price changes between the years. Lastly, the current supplementals and transfers are overlaid to show the significance of contingency operations with respect to the baseline.

In total, the current budget decreases by $5.2 billion (3.9 percent) in FY 2007 from FY 2006 levels. However, since the FY 2006 program contains funding from supplemental appropriations, they must be excluded to compare the baseline program. Chart 1 shows the funding profiles for the DON for the baseline program in current and constant dollars, and also reflects additional funding provided via supplemental appropriations to support the global war on terrorism and disaster relief. As shown in Chart 1, the nation made a significant investment in the DON's baseline program after September 11, 2001, increasing funding in real terms by more than 23 percent. During FY 2004 through 2006, the baseline program plateaued, however, significant additional funding was provided via supplementals to ensure that the Department could accomplish its mission in Afghanistan and Iraq. As we look beyond the current operations and to the future, the baseline budget continues to reflect real growth in each fiscal year. This investment we are asking the nation to undertake is critical to recapitalize our Department of Navy, ensure the continued

success of the all-volunteer force, and efficiently operate our bases while effectively preparing for future missions.

### *Chart 2 - Trendlines FY 2005 - FY 2007*




Note: Excludes supplemental appropriations/transfers.

As shown in Chart 2, every appropriation category increases in FY 2007 with respect to FY 2006 appropriations, except for Research and Development. Military Personnel accounts are increasing due to health care costs and accrual rates for retired pay. Operating accounts are increasing due to the rising costs of fuel and increased readiness levels for a surge capable Navy. Procurement account increases reflect the first production of DD(X) and an increase of 31 aircraft in FY 2007 over the FY 2006 level. The R&D account decrease in FY 2007 reflects the maturation of major development programs as they transition into production.

Table 1 displays individual Department of the Navy appropriation estimates for FY 2005 through FY 2007.

# *APPROPRIATION SUMMARY FY 2005 - FY 2007*

## *Table 1*

### *Department of the Navy*
### *Appropriation Summary FY 2005 - FY 2007*

*(In Millions of Dollars)*

| | FY 2005 [1] | FY 2006 [2] | FY 2007 |
|---|---|---|---|
| Military Personnel, Navy [3] | 25,294 | 22,753 | 23,271 |
| Military Personnel, Marine Corps [3] | 10,817 | 9,408 | 9,335 |
| Reserve Personnel, Navy [3] | 2,099 | 1,707 | 1,778 |
| Reserve Personnel, Marine Corps [3] | 602 | 510 | 551 |
| Health Accrual, Navy [3] | - | 2,029 | 2,074 |
| Health Accrual, Marine Corps [3] | - | 982 | 1,051 |
| Health Accrual, Navy Reserve [3] | - | 292 | 287 |
| Health Accrual, Marine Corps Reserve [3] | - | 137 | 145 |
| Operation & Maintenance, Navy | 33,892 | 31,770 | 31,331 |
| Operation & Maintenance, Marine Corps | 6,238 | 5,489 | 3,879 |
| Operation & Maintenance, Navy Reserve | 1,364 | 1,644 | 1,289 |
| Operation & Maintenance, Marine Corps Reserve | 201 | 242 | 212 |
| Environmental Restoration, Navy | - | 302 | 304 |
| Aircraft Procurement, Navy | 9,011 | 9,786 | 10,869 |
| Weapons Procurement, Navy | 2,191 | 2,741 | 2,555 |
| Shipbuilding & Conversion, Navy | 10,373 | 10,595 | 10,579 |
| Other Procurement, Navy | 4,862 | 5,486 | 4,968 |
| Procurement, Marine Corps | 5,030 | 3,036 | 1,274 |
| Procurement of Ammunition, Navy & Marine Corps | 1,024 | 882 | 790 |
| Research, Development, Test & Evaluation, Navy | 17,077 | 18,734 | 16,912 |
| National Defense Sealift Fund | 1,107 | 1,078 | 1,072 |
| Military Construction, Navy | 1,328 | 1,437 | 1,162 |
| Military Construction, Naval Reserve | 37 | 167 | 48 |
| Family Housing Construction, Navy & Marine Corps | 12 | 191 | 305 |
| Family Housing Operations, Navy & Marine Corps | 706 | 632 | 509 |
| Navy Working Capital Fund | 294 | 83 | 84 |
| Base Realignment and Closure IV | - | 133 | - |
| Base Realignment and Closure V | - | 247 | 690 |
| **TOTAL** | **$133,560** | **$132,492** | **$127,322** |

Note: Totals may not add due to rounding.

1) FY 2005 includes $14.2B in supplemental appropriations/transfers.
2) FY 2006 includes $9.6B in supplemental appropriations/transfers.
3) Beginning in FY 2006, the health accrual amounts have been realigned from the MPN, MPMC, RPN, and RPMC appropriations into separate Health Accrual appropriations.

# *DERIVATION OF FY 2006 ESTIMATES*

Table 2 displays a track of changes to the Department of the Navy appropriations for FY 2006, beginning with the FY 2006 President's Budget request. The changes are due to incorporation of congressional action; supplemental appropriations for contingency operations and hurricane damage; and transfers that reflect known requirements. Amounts displayed here do not include all GWOT costs, which are being addressed in additional supplemental appropriation requests. The other column reflects available prior year balances in MILPERS and operating accounts, which remain available in FY 2006, and funding associated with Health Accrual, Navy for Midshipmen.

## *Table 2*

### *Department of the Navy*
### *Derivation of FY 2006 Estimates*

*(In Millions of Dollars)*

| | FY 2006 President's Budget | Congressional Action | Supplemental Appropriations | Transfers | Other | FY 2006 Current Estimate |
|---|---|---|---|---|---|---|
| Military Personnel, Navy | 23,032 | -472 | 193 | - | - | 22,753 |
| Military Personnel, Marine Corps | 9,025 | -146 | 467 | - | 62 | 9,408 |
| Reserve Personnel, Navy | 1,774 | -105 | 38 | - | - | 1,707 |
| Reserve Personnel, Marine Corps | 521 | -13 | 3 | - | - | 510 |
| Health Accrual, Navy | 2,006 | - | - | - | 22 | 2,028 |
| Health Accrual, Marine Corps | 982 | - | - | - | - | 982 |
| Health Accrual, Navy Reserve | 292 | - | - | - | - | 292 |
| Health Accrual, Marine Corps Reserve | 137 | - | - | - | - | 137 |
| Operation & Maintenance, Navy | 30,760 | -1,277 | 2,274 | - | 14 | 31,770 |
| Operation & Maintenance, Marine Corps | 3,805 | -156 | 1,839 | - | 1 | 5,489 |
| Operation & Maintenance, Navy Reserve | 1,246 | -16 | 415 | - | - | 1,644 |
| Operation & Maintenance, MC Reserve | 200 | 0 | 42 | - | - | 242 |
| Environmental Restoration, Navy | 305 | -3 | - | - | - | 302 |
| Aircraft Procurement, Navy | 10,517 | -873 | 142 | - | - | 9,786 |
| Weapons Procurement, Navy | 2,708 | -84 | 117 | - | - | 2,741 |
| Shipbuilding & Conversion, Navy | 8,721 | 185 | 1,689 | - | - | 10,595 |
| Other Procurement, Navy | 5,488 | -116 | 114 | - | - | 5,486 |
| Procurement, Marine Corps | 1,378 | -52 | 1,710 | - | - | 3,036 |
| Procurement of Ammunition, Navy/MC | 873 | -32 | 41 | - | - | 882 |
| Research, Development, Test & Eval, Navy | 18,038 | 680 | 2 | 14 | - | 18,734 |
| National Defense Sealift Fund | 1,649 | -571 | - | - | - | 1,078 |
| Military Construction, Navy | 1,029 | 117 | 291 | - | - | 1,437 |
| Military Construction, Naval Reserve | 45 | 2 | 120 | - | - | 167 |
| Family Housing Construction, Navy & Marine Corps | 219 | -2 | 86 | -112 | - | 191 |
| Family Housing Operations, Navy & Marine Corps | 594 | -11 | 49 | - | - | 632 |
| Navy Working Capital Fund | 83 | - | - | - | - | 83 |
| Base Realignment and Closure | 276 | 104 | - | - | - | 380 |
| **TOTAL** | **$125,703** | **-$2,841** | **$9,632** | **-$98** | **$99** | **$132,492** |

Note: Totals may not add due to rounding.

# *PERFORMANCE MEASUREMENT*

The Department of the Navy, with one of the largest workforces in our nation, is also one of the most visible to the public. With military members and employees in multiple countries, at sea and ashore, in every time zone, and in every climatic region, the spotlight never leaves our emblem. Our charter to defend our nation and its interests at home and abroad makes it essential that every military member and employee take an active role in using resources wisely and ensuring success in each endeavor.

The President has stated that this Administration is "dedicated to ensuring that the resources entrusted to the federal government are well managed and wisely used." To achieve this, the President's Management Agenda focuses on five basic objectives: (1) Budget and Performance Integration, (2) Strategic Management of Human Capital, (3) Competitive Sourcing, (4) Financial Management Improvement, and (5) Expanding E-Government. Improving programs by focusing on results is an integral component of the Department's budget and performance integration initiative. The most recent Executive Scorecard grades the Department of Defense as "yellow" on current status for budget and performance integration, and "green" for progress. The FY 2007 budget for the Department of the Navy associates performance metrics to approximately ninety percent of requested resources. In an effort to incorporate performance metrics into the budget process, the Office of Management and Budget has instituted Program Performance Assessments which identify programs that are measured in "getting to green" through a rating system that is consistent, objective, credible, and transparent. The Department of the Navy programs reviewed are outlined in Chart 3. Programs were assessed and evaluated across a wide range of issues related to performance. Amplifying metric information related to these programs can be found in detailed justification materials supporting the budget request.

# *Chart 3 - Performance Scorecard*

| 1. Budget and Performance Integration | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | DON Funding | | | |
| (In Millions of Dollars) | Program Purpose & Design | Strategic Planning | Program Mgmt | Program Results | Overall Rating | FY05 | FY06 | FY07 | Programs Included |
| **Military Force Management** | 100% | 100% | 72% | 93% | Effective | 38,824 | 37,818 | 38,491 | MilPers |
| **Shipbuilding** | 80% | 90% | 73% | 47% | Adequate | 13,402 | 13,778 | 13,280 | SCN, NDSF,RDTEN |
| **Marine Corps Expeditionary Warfare** | 80% | 67% | 88% | 50% | Results Not Demonstrated | 11,868 | 10,223 | 9,234 | SCN, NDSF, RDTEN, APN, PMC, PANMC |
| **Housing** | 100% | 100% | 72% | 67% | Moderately Effective | 5,810 | 5,822 | 6,300 | FH, BAH |
| **Navy/Marine Corps Air Operations** | 100% | 100% | 71% | 92% | Effective | 5,297 | 5,795 | 5,689 | O&M |
| **Navy Ship Operations** | 100% | 100% | 83% | 84% | Effective | 4,495 | 5,186 | 5,536 | O&M |
| **Air Combat** | 100% | 100% | 72% | 66% | Moderately Effective | 5,625 | 5,637 | 5,042 | F/A-18 E/F, JSF |
| **Depot Maintenance - Ship** | 100% | 100% | 86% | 84% | Effective | 3,889 | 4,042 | 3,882 | O&M |
| **Facilities SRM/Demolition** | 80% | 100% | 14% | 60% | Adequate | 2,720 | 3,037 | 2,868 | O&M, MilPers, MILCON |
| **Basic Skills and Advanced Training** | 100% | 100% | 86% | 75% | Effective | 1,416 | 1,432 | 1,421 | O&M |
| **Communications Infrastructure** | 80% | 78% | 36% | 44% | Results Not Demonstrated | 1,305 | 1,381 | 1,417 | NMCI, Base level comm |
| **Recruiting** | 80% | 100% | 72% | 75% | Moderately Effective | 1,165 | 1,190 | 1,163 | O&M, MilPers |
| **Depot Maintenance - Naval Aviation** | 100% | 100% | 86% | 80% | Effective | 980 | 977 | 991 | O&M |
| **Applied Research** | 100% | 67% | 50% | 67% | Moderately Effective | 802 | 799 | 639 | RDTE |
| **Basic Research** | 100% | 89% | 85% | 80% | Effective | 478 | 475 | 456 | 6.1 |
| **Unmanned Combat Air Systems** | 80% | 100% | 72% | 60% | Moderately Effective | 163 | 95 | 427 | RDTE, WPN, APN, PMC |
| **Other Training and Education** | 100% | 12% | 57% | 27% | Results Not Demonstrated | 302 | 340 | 363 | O&M |
| **Airlift Program** | 100% | 100% | 83% | 84% | Moderately Effective | 325 | 384 | 299 | APN |
| **Accession Training** | 100% | 100% | 86% | 67% | Moderately Effective | 238 | 205 | 261 | O&M |
| **Total Funding** | | | | | | **$99,104** | **$98,616** | **$97,759** | |

**2. Strategic Management of Human Capital**
- Implement first phase of National Security Personnel System (NSPS) (DoD-wide)
- Transform Naval Military Personnel Force
- Military to Civilian Conversions
- Human Capital Strategy

**3. Competitive Sourcing**
- Commitment to study 63,420 positions under A-76 or OMB approved alternatives

**4. Improved Financial Performance**
- Business Transformation Initiatives (DoD-wide)
- Enterprise Resource Planning
- Financial Improvement Program

**5. Expanded Electronic Government**
- Utilizing E-Marketplace
- E-Commerce Initiatives
- Enterprise Software

In the September 2001 Quadrennial Defense Review (QDR) the Department of Defense introduced a risk management framework to enable the Department's senior leadership to better balance near-term demands against preparations for the future. The balanced risk approach has been successfully used to guide strategic planning and day-to-day management in accordance with the Government Performance and Results Act of 1993. The DON is now taking advantage of lessons learned from this initial implementation phase to refine and mature a more robust framework that supports and enables enterprise-wide decision-making.

QDR 2005 has validated the concept of managing risk and measuring performance across the enterprise. The availability of informative metrics populated by actionable data allows each level of the DON to be accountable for performance and delivering results, while focusing on their appropriate roles and responsibilities. In addition, it gives each level of the organization the autonomy to perform optimally, while allowing adequate oversight to ensure each level is supporting the Department-wide strategy.

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# *SECTION II – PROVIDING THE RIGHT FORCE TODAY*

The Navy and Marine Corps team continues to answer our Nation's call in the Global War on Terrorism (GWOT) and in the establishment of stability and security in the world's trouble spots. From combat operations in Iraq to tsunami relief efforts in Indonesia, the Navy and Marine Corps team has proven ready to meet any task and answer any challenge.

## *CONTINGENCY OPERATIONS*

FY 2006 contingency operations include Operation Enduring Freedom (Afghanistan, the horn of Africa, and related areas), and Operation Iraqi Freedom. In order to ensure adequate resources are available for GWOT operations early in the fiscal year, the Congress appropriated $50 billion until a full year supplemental is approved. Other funds necessary to support GWOT operations during FY 2006 will be included in an additional supplemental appropriation request. Additionally, the Department has received significant funding for hurricane recovery and humanitarian relief impacting the Gulf Coast. The following table represents funds already appropriated and reflected in the FY 2007 budget specifically for these purposes.

### *Chart 4 - FY 2006 Contingency Funding*

| **Department of the Navy Portion of War Related Appropriations** | | | | | |
|---|---|---|---|---|---|
| | **GWOT (Title IX)** | | **Hurricane** | | |
| *Dollars in Millions* | Navy | **Marine Corps** | **Navy** | **Marine Corps** | **TOTAL** |
| Military Personnel | 154 | 455 | 77 | 15 | 701 |
| Operation and Maintenance | 1,817 | 1,861 | 871 | 20 | 4,569 |
| Aircraft Procurement | 139 | - | 3 | - | 142 |
| Procurement of Ammunition | 7 | 32 | 2 | - | 41 |
| Other Procurement | 49 | - | 65 | - | 114 |
| Weapons Procurement | 117 | - | - | - | 117 |
| Shipbuilding and Conversion | - | - | 1,689 | - | 1,689 |
| Military Construction | - | - | 411 | - | 411 |
| Research and Development | - | - | 2 | - | 2 |
| Working Capital Fund | - | - | - | - | - |
| Family Housing | - | - | 135 | - | 135 |
| Procurement, Marine Corps | - | 1,710 | - | - | 1,710 |
| **Total** | **$2,283** | **$4,058** | **$3,256** | **$35** | **$9,632** |

These funds have been applied to incremental costs associated with activation of reserve personnel and units, increased fuel consumption and spare parts, additional maintenance supporting higher usage of equipment, deployment of medical capabilities (hospital ships and deployable fleet hospitals), extended communications and intelligence support, and related transportation costs. Additionally, investment items lost, damaged or in need of replacement resulting from increased "wear and tear" from the higher operating tempos are also included. All these contingency or wartime costs are requested through supplemental appropriations or transfers.

The amounts above for GWOT do not include the Department's estimate for the full-year costs. When submitted, the full year FY 2006 GWOT supplemental request will be substantially higher than the comparable FY 2005 GWOT amounts because, based on the higher operating tempo and usage in-theater, the Department will include substantial reconstitution costs required to reset (repair and replace) used Navy and Marine Corps equipment across the naval forces.

## *GLOBAL WAR ON TERRORISM*

Winning the Global War on Terrorism is our number one priority. We continue to support the GWOT through naval combat forces that are capable and relevant to the missions assigned. The Department has deployed various forces into the Central Command (CENTCOM) area of responsibility (AOR) to support in-theater deployment of Marine Corps combat units (and attached Navy medical personnel and construction battalion) and provide other sustainment support (such as port and cargo handling and supply support, medical support, mail and transportation, explosive ordnance).

Currently, over 28,000 Marines and approximately 19,500 Navy (both ground and shipboard) personnel are engaged in CENTCOM AOR supporting GWOT operations. The Marine Corps has taken part in combat operations and is now directly responsible for stability and security in Al Anbar province. Their expeditious and innovative pre-deployment combat skills training program, rapid modifications of combat equipment to meet an evolving threat, and their emphasis on cultural and

language capabilities have contributed to considerable accomplishments in this complex region. Marines are currently executing multiple security, urban combat, nation building, counter-insurgency, command and control, and force protection missions with great confidence and skill, in the face of an adaptable and dangerous enemy. Hundreds of naval medical personnel were deployed to Iraq in support of Marine forces, as well as over 1,000 active and reserve Navy Seabees responsible for construction support.

A carrier strike group and an expeditionary strike group have continuously been on station in the CENTCOM AOR, providing direct operational and combat support. Naval coastal warfare and explosive ordnance detection forces provided security for Iraqi oil terminals and thwarted terrorist forces from disrupting the off-shore energy supply. The Navy has mobilized and provided additional forces to augment Army operations, including medical support; Naval Expeditionary Logistic Support Forces, which have provided port handling and supply support; military police and other security forces.

In Afghanistan the Marine Corps provided, on short-notice, a regimental headquarters, an infantry battalion, and a combined arms Marine Expeditionary Unit. They continue to provide both ground and aviation forces - currently an infantry battalion, elements of two helicopter squadrons, and training teams - to protect and foster this new democracy.

Because more than 95 percent of the world's commerce moves by sea, it is likely that terrorist networks utilize merchant shipping to move cargo and passengers. The United States naval forces are well trained to carry out the mission of deterring, delaying, and disrupting the movement of terrorists and terrorist-related material at sea.

During the year, the Navy and Marine Corps will conduct a major rotation of our CENTCOM deployed forces. Many of these units have previously deployed to this theater, but we continue to aggressively match our training, forces, and equipment to the changing threat.

# *HURRICANE RECOVERY AND HUMANITARIAN RELIEF*

The Navy and Marine Corps team can rapidly respond to crises around the globe, whether they are humanitarian or combat-related without impeding our ongoing commitments to combating terrorism. The past year has seen a high number of natural disasters in the United States, primarily from Hurricanes Katrina, Rita, Ophelia and Wilma, which inflicted substantial damage.

Hurricane Katrina severely impacted Navy facilities in the Gulf Coast area, requiring the evacuation and sustainment of over 38,200 Navy, civilian employees and family members (9,400 Navy personnel and 15,100 of their family members; 3,900 civilian employees and their 9,800 family members). A major clean up, recovery, repair and construction effort is underway across Alabama, Louisiana, and Mississippi, to make necessary repairs, as well as to ensure Navy contractors, such as shipyards, continue to provide critical Navy assets to meet its national military strategy mission. These costs are currently estimated at $5.5 billion.

Additionally, within the United States, the Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes DoD to provide humanitarian assistance and disaster relief support for civilian communities. Coordinated through the U.S. Northern Command, DoD's designated homeland security and disaster assistance manager, the Navy and Marine Corps supported local needs through the Federal Emergency Management Agency (FEMA). Under the direction of Joint Task Force Katrina, the Department of the Navy has had more than 8,500 Sailors and Marines afloat and 1,300 Marines ashore providing humanitarian assistance to millions of people affected by the hurricanes that swept through the Gulf coast region from August 29 through October 24.

The largest of these events, Hurricane Katrina, resulted in the Navy and Marines flying over 2,500 sorties and 4,400 hours in 61 aircraft to rescue and medevac victims and survivors along the Gulf of Mexico coast. Seventeen ships were deployed, evacuating survivors, and providing over 47,000 meals to ship's company and relief workers engaged in support activities. Navy ships and aircraft also delivered over 3.1 million pounds of food and water to the impacted communities and relief

workers. While docked in New Orleans, the USS *Iwo Jima* served as the on-site command center for Joint Task Force Katrina, coordinating area wide DoD support utilizing its command, control, and communications equipment to replace destroyed local telecommunications infrastructure. Along with the USNS *Comfort* (one of two Navy hospital ships), Navy ships treated over 1,000 civilian medical patients with their on-board medical staffs, who also went ashore to provide services.

Navy ships assisted in surveying and clearing over 150 miles of seaway along the Mississippi River and Gulf Coast ports and rivers, including underwater surveillance by diving and salvage teams. Navy Seabees and Marines provided substantial civilian support, including preparing relocation sites and building temporary housing facilities, including power and sanitation. The Seabees will continue to provide this support until relieved. The full cost of this direct support is being reimbursed by supplemental appropriations made by Congress to the Federal Emergency Management Agency. The Navy and Marine Corps portion of those costs currently total over $80 million.

The Navy and Marine Corps are providing assistance to the government of Pakistan supporting earthquake relief efforts. Currently, nearly 300 Navy and Marine Corps personnel are providing support at four locations in Pakistan, including medical care. The Department has also provided assistance to Guatamala to cope with the aftermath of Hurricane Stan.

The forward posture and readiness for agile response that characterizes our Navy/Marine Corps team positions us to play an integral role in Department of Defense humanitarian efforts, alongside other federal and international agencies in support of nations affected by disaster. We continuously train for humanitarian assistance missions in order to respond rapidly and efficiently to such large-scale disasters, so that we can rapidly reduce the further loss of life and human suffering.

# *HOMELAND SECURITY*

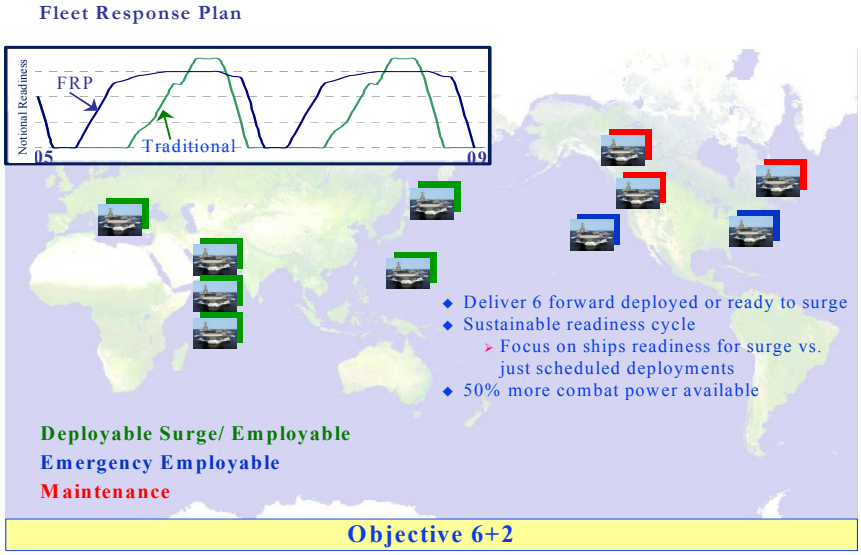
Under the National Security Presidential Directive (NSPD-41), we are continuing to cultivate relationships and develop capabilities to maximize the advantage that operating in the maritime domain brings to homeland security. We are broadening our relationship with the navies of international allies to prosecute the GWOT. We are expanding the Proliferation Security Initiative to other countries and working bilateral boarding initiatives in all hemispheres.

We are also integrating intelligence and command and control systems with other government agencies like the Department of Homeland Security to effectively evaluate the maritime environment and anything that could adversely influence the security, safety or economy of America and our allies. We continue to develop the Navy's role in the Maritime Domain Awareness concept, including ship tracking and surveillance, to identify threats as early and as distant from our borders as possible in order to determine the optimal course of action. We are working with the Department of Homeland Security to develop a comprehensive National Maritime Security Response Plan to address specific security threats and command and control relationships.

# *READINESS*

Our carrier strike groups (CSGs), expeditionary strike groups (ESGs), and Marine Expeditionary Forces provide the capability called for in the National Military Strategy to shape the international environment and respond to the full spectrum of crises. Our budget provides for operational levels that will maintain the high personnel and unit readiness necessary to conduct the full spectrum of joint military activities. Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) demonstrated the responsiveness of current readiness levels.

The Global War on Terrorism requires that we operate differently. We continue our readiness transformation under the Fleet Response Plan (FRP), turning the Fleet into a more effective force by creating a culture of readiness; meeting new readiness and surge thresholds; changing manning, maintenance and training processes to support surge and deployment; and lengthening inter-deployment cycles. The focus is to enable the Fleet to be both forward deployed and also capable of surging substantial forces. This Navy budget will support up to six CSGs within 30 days and one additional CSG within 90 days, for tasking in a national emergency ("6+1"). In order to attain this substantial surge force, the FRP modifies previous ship and air wing operating cycles to extend the Inter-Deployment Readiness Cycle from 24 months to 27 months. In addition, the FRP modifies training and manpower processes. The FRP increases significantly the amount of time each ship and squadron is available for crisis response, "operationalizing" the Navy's readiness investment. The FY 2007 request includes resources in the operating accounts to sustain FRP at the "6+1" construct. The Summer Pulse '05 fleet exercise demonstrated the Navy's ability to operate seven carriers simultaneously in five theaters.



The role of the Navy and Marine Corps on the world stage is evident throughout the budget. From contributions to multilateral operations under United Nations/NATO auspices to cooperative agreements with allied Navies, international engagement efforts cross the entire spectrum of the Department's missions and activities. Naval capabilities are often demonstrated through participation with allies and other foreign countries, in joint exercises, port visits, and exchange programs.

Operational activities include drug interdiction, joint maneuvers, multi-national training exercises, humanitarian assistance (including natural disaster, medical, salvage, and search and rescue), and when called upon contingency operations, such as in the Arabian Gulf, the Balkans, and Afghanistan/Northern Arabian Sea as part of Operation Enduring Freedom and Iraq as part of Operation Iraqi Freedom. On any given day, approximately 36,000 Sailors and 32,000 Marines in over 90 ships and bases are deployed to locations around the world. At times of heightened operations, these numbers often surge to higher levels.

## *Chart 5 - Navy/Marine Corps Today*

### *Navy*

- **92 ships deployed (33% of total)**
  - ROOSEVELT CSG – Persian Gulf
  - REAGAN CSG – Australia
  - NASSAU ESG – Indian Ocean
  - TARAWA ESG – Far East
- **134 ships underway (48% of total)**
- **358,590 active strength**
- **36,367 on deployment**
- **4,350 activated reserves**

**Navy-Marine Corps Team**
**Forward deployed and ready**

### *Marine Corps*

- **Second Marine Expeditionary Force (II MEF) finalizing redeployment from Iraq AOR**
- **I MEF in the process of relieving II MEF**
- **III MEF assisting in the Pakistan Earthquake Relief efforts, also have forces in Afghanistan**
- **179,366 active strength**
- **7,121 activated reservists**

Chart 5 - Reflects Navy/Marine Corps operations as of 3 February 2006.

# *SHIP OPERATIONS*

## *Battle Force Ships*

The budget provides for a deployable battle force of 283 ships at the end of FY 2006 and 285 ships in FY 2007 as shown in Table 3. This level will support 11 aircraft carriers and 11 large amphibious ships as the base on which our carrier and expeditionary strike groups form for deployment.

In FY 2007, fourteen ships (four Amphibious Transport Dock Ships (LPD), three Dry Cargo and Ammunition Ships (AKE), three Guided-Missile Destroyers (DDG), one Amphibious Assault Ship (LHD), one Nuclear-Powered Attack Submarine (SSN), one Littoral Combat Ship (LCS), one Oceanographic Survey Ship (AGOS)) will be delivered, while eleven ships (four Nuclear Attack Submarines (SSN), three Amphibious Transport Dock Ships (LPD), two Coastal Minehunter ships (MHC), one Amphibious Assault Ship (LHA), one Combat Logistics Ship (AO)) will be inactivated.

### *Table 3*
### *Department of the Navy*
### *Battle Force Ships*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Aircraft Carriers * | 12 | 12 | 11 |
| Fleet Ballistic Missile Submarines | 14 | 14 | 14 |
| Guided Missile (SSGN) Submarines | 4 | 4 | 4 |
| Surface Combatants | 99 | 102 | 106 |
| Nuclear Attack Submarines | 54 | 55 | 52 |
| Amphibious Warfare Ships | 34 | 33 | 34 |
| Combat Logistics Ships | 30 | 30 | 32 |
| Mine Warfare Ships | 17 | 16 | 14 |
| Support Ships | 17 | 17 | 18 |
| **Battle Force Ships** | **281** | **283** | **285** |

* The FY 2006 National Defense Authorization Act requires not less than 12 operational carriers. The Navy requirement as validated in the QDR is 11. No additional funds were appropriated in FY 2006 to maintain the 12th carrier. Similarly no funds were requested in PB 2007 for these purposes. The Navy will need to reprogram from other efforts to sustain the Kennedy's operational, manpower, and maintenance costs so long as 12 carriers are a statutory requirement.

## *Active Forces*

The Department is determined to ensure the full readiness of the carrier strike groups (CSGs) and expeditionary strike groups (ESGs) that have been instrumental in the prosecution of the Global War on Terrorism. For FY 2007, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed commitments in support of the National Military Strategy. The FY 2007 budget request supports the Fleet Response Plan (FRP), enabling ships to surge and reconstitute rapidly. The Department is now ready to provide six CSGs within the first 30 days of a potential conflict and one additional carrier group within the next 90 days. The FY 2007 budget provides funds necessary to support 36 underway days per quarter of the active operational tempo (OPTEMPO) for deployed forces and 24 underway days per quarter for non-deployed forces. Consistent with FY 2006 Congressional actions reducing peacetime OPTEMPO levels, our FY 2007 baseline budget estimates also include reductions to peacetime OPTEMPO levels.

Non-deployed OPTEMPO provides primarily for the training of Fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, sustainment training, and various other training exercises. The extension of the training period under FRP allows for a reduction in non-deployed OPTEMPO while maintaining a combat ready and rapidly deployable force.

### *Chart 6 - Active Force Ship OPTEMPO*

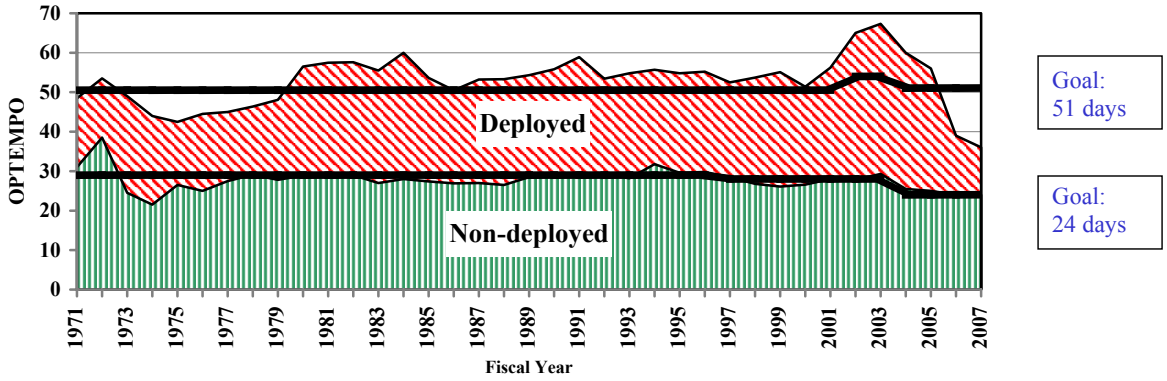



Chart 6 illustrates historical and budgeted OPTEMPO. The horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations.

## *Reserve Forces*

The Navy Reserve force continues to integrate with the active force to achieve readiness goals. In FY 2007, the Navy Reserve will consist of 13 Battle Force ships with nine FFGs and four MCMs. Table 4 reflects reserve battle force ships and their respective non-deployed steaming days.

### *Table 4*

***Department of the Navy***

***Significant Navy Reserve Force Factors***

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Surface Combatants | 9 | 9 | 9 |
| Mine Warfare | 6 | 5 | 4 |
| **Reserve Battle Force Ships*** | **15** | **14** | **13** |
| | | | |
| **Steaming Days Per Quarter** | | | |
| Surface Combatants | 18 | 18 | 18 |
| Mine Warfare | 18 | 18 | 18 |

** Also included in Table 3*

## *Mobilization*

Mobilization forces provide rapid response to contingencies throughout the world. Sealift assets include prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in Table 5. Department of the Navy operation and maintenance appropriations reimburse the biennial exercise costs of the Hospital Ships and the Aviation Maintenance Ships, and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of three MPS squadrons supports a Marine Expeditionary Brigade for 30 days.

Readiness training for each of the two naval Hospital ships, USNS *Mercy* and the USNS *Comfort*, occurs alternating every two years. In FY 2006, the USNS *Comfort* will be activated for a 20-day mission biennial fleet exercise to test its mobilization

readiness. As a part of its Global War on Terrorism strategy, The Navy will deploy the USNS Mercy hospital ship to Southwest Asia during FY 2006. This deployment will be a joint civil-military operation and provide valuable humanitarian assistance (direct medical services and preventative medical care) to medically underserved communities throughout the region. Hospital ships also provide assistance to other U.S. Government agencies. In that capacity, the USNS *Comfort* was activated in September 2005, and sailed to the Hurricane Katrina-affected region of the Gulf of Mexico to provide medical support and humanitarian aid for victims of this natural disaster.

Table 5 displays the composition of Navy mobilization forces.

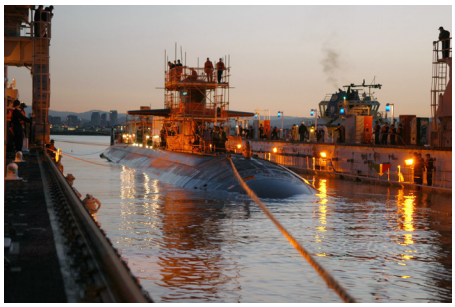
### *Table 5*
***Department of the Navy***
***Strategic Sealift***

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Prepositioning Ships:** | | | |
| Maritime Prepo Ships (O&M,N) | 16 | 16 | 16 |
| USPACOM Ammo Prepo (O&M,N) | 1 | 1 | 1 |
| Army Prepo Ships (O&M,A) | 10 | 10 | 10 |
| Air Force Prepo Ships (O&M,AF) | 4 | 4 | 4 |
| DLA Prepo Ships (DWCF) | 2 | 1 | - |
| **Surge Ships:** | | | |
| Aviation Logistics Support (NDSF) | 2 | 2 | 2 |
| Hospital Ships (NDSF) | 2 | 2 | 2 |
| Fast Sealift Ships (NDSF) | 8 | 8 | 8 |
| Ready Reserve Force Ships (NDSF) | 58 | 55 | 54 |
| Large Medium-Speed RORO Ships (NDSF) | 11 | 11 | 11 |
| Prepositioning Capacity (millions of square feet) | 5.7 | 5.7 | 5.7 |
| Surge Capacity (millions of square feet) | 9.0 | 9.0 | 9.0 |
| Total Sealift Capacity (millions of square feet) | 14.7 | 14.7 | 14.7 |

## *Ship Maintenance*

With more than eight years of combined depot and intermediate mission-funded maintenance experience at one or more of its public shipyards, the Department's FY 2007 ship maintenance budget reflects the realignment of two more public shipyards, Norfolk and Portsmouth Naval Shipyards from the Navy Working Capital Fund to mission funding in Operation and Maintenance. This initiative will

eliminate the inefficiencies that negatively impact fleet operations when managing ship maintenance under two different financing methodologies. The ship maintenance budget reflects the Fleet Response Plan, which lengthens periods between shipyard availabilities, yet creates a more employment-capable and responsive fleet that is able to surge and reconstitute rapidly. The primary advantage of mission funding is that it best supports the FRP by allowing Fleet Commanders, rather than fleet support activities, to control priorities. To achieve optimal success, the fleet must be able to quickly and efficiently allocate work to ships that are required to surge and to integrate the application of all available resources while properly accounting for resource use. The Department's active ship maintenance budget supports 97 percent of the notional O&M maintenance projection in FY 2006 and 95 percent in FY 2007. In these years 100 percent of the projected work on refueling overhauls is funded. We have adjusted the budgeted notional availabilities to reflect the recent experience of increasing depot maintenance requirements.



The following concepts outline the strategy to support both current and future readiness:

- *SHIPMAIN* - a "best business" practice that is changing the culture of getting ship repair work completed in a one-step process. Through new procedures, SHIPMAIN implements a refined process that eliminates time lags, prioritizes ship jobs, and empowers surface ship Sailors in the maintenance decisions that involve their own ships.
- *One Shipyard for the Nation* - an approach to best utilize the Nation's public and private nuclear shipyards and contractor support. It capitalizes on the ability to mobilize fleet support infrastructure across the board, and to rise to meet fleet demands in a time of war.
- *Regional Waterfront Maintenance Integration* - continued consolidation of depot and intermediate ship maintenance facilities forming Regional Maintenance Centers. Consolidating waterfront infrastructure eliminates redundancy in mission and administration while establishing a single pierside maintenance activity to support Sailors and their ships.
- *Multi-Ship/Multi-Option Contracts* - allows the executing agency to better plan work and take advantage of best repair capabilities. They will provide long-term vendor relationships throughout ships' training, deployment, maintenance, and modernization cycles in order to reduce costs through the benefits of advanced planning.

The Nation's ship repair base, which includes public and private shipyards, has the capacity to execute the FY 2006 and FY 2007 ship maintenance as well as deferred maintenance amounts reflected in Table 6. Annual deferred maintenance is work that was not performed when it should have been due to fiscal constraints. This includes items that were not scheduled or not included in an original work package due to fiscal constraints, but excludes items that arose since a ship's last maintenance period. As the execution year progresses, the workload can fluctuate, impacted by factors such as growth in scope and new work on maintenance availabilities, changes in private shipyard cost and shipyard capacity. While some amount of prior years' deferred maintenance may be executable in following years (depending on deployment schedules and shipyard capacity), the numbers in Table 6 reflect only those individual years' deferred maintenance, not a cumulative amount.

## *Table 6*

### *Department of the Navy*

### *Ship Maintenance*

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Active Forces** | | | |
| Ship Maintenance | 4,298 | 3,846 | 3,723 |
| Depot Operations Support | 1,106 | 822 | 979 |
| **Total: Ship Maintenance (O&MN)** | **$5,404** | **$4,668** | **$4,702** |
| **Percentage of Projection Funded** | 98% | 97% | 95% |
| **Annual Deferred Maintenance** | $54 | $119 | $192 |
| CVN Refueling Overhauls (SCN) | 331 | 1,318 | 1,072 |
| SSN Refueling Overhauls (SCN) | 4 | - | 22 |
| SSBN Refueling Overhauls (SCN) | 325 | 288 | 226 |
| **Total: Ship Maintenance (SCN)** | **$660** | **$1,606** | **$1,320** |
| % of SCN Estimates Funded | 100% | 100% | 100% |
| **Reserve Forces** | | | |
| Ship Maintenance | 80 | 70 | 70 |
| Depot Operations Support | 4 | 1 | 1 |
| **Total: Ship Maintenance (O&MNR)** | **$84** | **$71** | **$71** |
| **Percentage of Projection Funded** | 98% | 97% | 96% |
| **Annual Deferred Maintenance** | $2 | $2 | $4 |

Note: Totals may not add due to rounding.

# AIR OPERATIONS

## Active Tactical Air Forces

The budget provides for the operation, maintenance, and training of ten active Navy carrier air wings (CVWs) and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (TACAIR/ASW), Fleet Air Support (FAS), and Fleet Air Training (FAT). TACAIR squadrons conduct strike operations, provide flexibility in dealing with a wide range of threats identified in the National Military Strategy, and provide long range and local protection against airborne and surface threats. ASW squadrons locate, destroy, and provide force protection against sub-surface threats, and conduct maritime surveillance operations. FAS squadrons provide vital fleet logistics and intelligence support. In FAT, the Fleet Replacement Squadrons (FRS) provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

## Reserve Air Forces

Reserve aviation will continue to provide vital support to the active force in FY 2007. The reserves support all of the Department's adversary and overseas logistics requirements and a portion of the electronic training and counter-narcotics missions. The Navy Reserve also provides support to the active force through participation in various exercises and mine warfare missions.

Table 7 reflects active and reserve aircraft force structure.

## *Table 7*
### *Department of the Navy*
### *Aircraft Force Structure*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Active Forces** | **21** | **21** | **21** |
| Navy Carrier Air Wings | 10 | 10 | 10 |
| Marine Air Wings | 3 | 3 | 3 |
| Patrol Wings | 4 | 4 | 4 |
| Helicopter Anti-Submarine Light Wings | 2 | 2 | 2 |
| Helicopter Combat Support Wings | 2 | 2 | 2 |
| | | | |
| **Reserve Forces** | **5** | **5** | **4** |
| Navy Tactical Air Wing | 1 | 1 | 1 |
| Patrol Air Wing | 1 | 1 | - |
| Helicopter Air Wing | 1 | 1 | 1 |
| Logistics Air Wing | 1 | 1 | 1 |
| Marine Air Wing | 1 | 1 | 1 |
| | | | |
| **Primary Authorized Aircraft (PAA) - Active** | **2,392** | **2,308** | **2,271** |
| Navy | 1,357 | 1,317 | 1,296 |
| Marine Corps | 1,035 | 991 | 975 |
| | | | |
| **Primary Authorized Aircraft (PAA) - Reserve** | **408** | **366** | **341** |
| Navy | 199 | 198 | 183 |
| Marine Corps | 209 | 168 | 158 |
| | | | |
| **Aircraft Inventory** | **2,800** | **2,844** | **2,811** |
| Active | 2392 | 2,478 | 2,470 |
| Reserve | 408 | 366 | 341 |

## *Aircraft OPTEMPO*

As discussed in previous sections, the Department has transitioned to the Fleet Response Plan (FRP). The FRP will allow for a varying T-2.5 readiness level across the notional Inter-Deployment Readiness Cycle (T-1.7 while deployed, T-2.0 pre-deployment, T-2.2 post-deployment, and T-3.3 during the maintenance/training phase). The FY 2007 budget supports an average rating of T-2.5. This level will support the "6+1" surge readiness level, but falls short of the peacetime training/operations goal. As in FY 2006, it is anticipated that operational requirements will continue to exceed peacetime levels in FY 2007.

The flying hour program has been priced using the most recent cost per hour experience, including a higher cost for repair part pricing and usage. This is a manifestation of the Department's older type/model/series aircraft and will continue until our recapitalization program can appreciably reduce average aircraft age.

In FY 2007 FRS operations are budgeted at 82 percent, which is below the 84 percent training requirements, necessary to enable pilots to complete the training syllabus (while taking into account execution limitations due to aircraft availability and weather). Student levels are established by TACAIR/ASW force level requirements, aircrew personnel rotation rates, and student output from the undergraduate pilot/naval flight officer training program. FAS funding is budgeted two percent below the goal at 96 percent of the total notional hours. The Navy Reserve is budgeted at 77 percent and 90 percent of the notional hours in FY 2006 and FY 2007, as indicated in Table 8. These flying hours reflect a cost avoidance reduction from 90 percent to 77 percent in FY 2006 in anticipation of continued operations in the GWOT. Monthly flying hours per crew also decrease correspondingly to 8.8 per month in FY 2006, but return to 10.2 per month in FY 2007.

Chart 7 displays historical flying hours.

## *Chart 7 - Flying Hour Program*

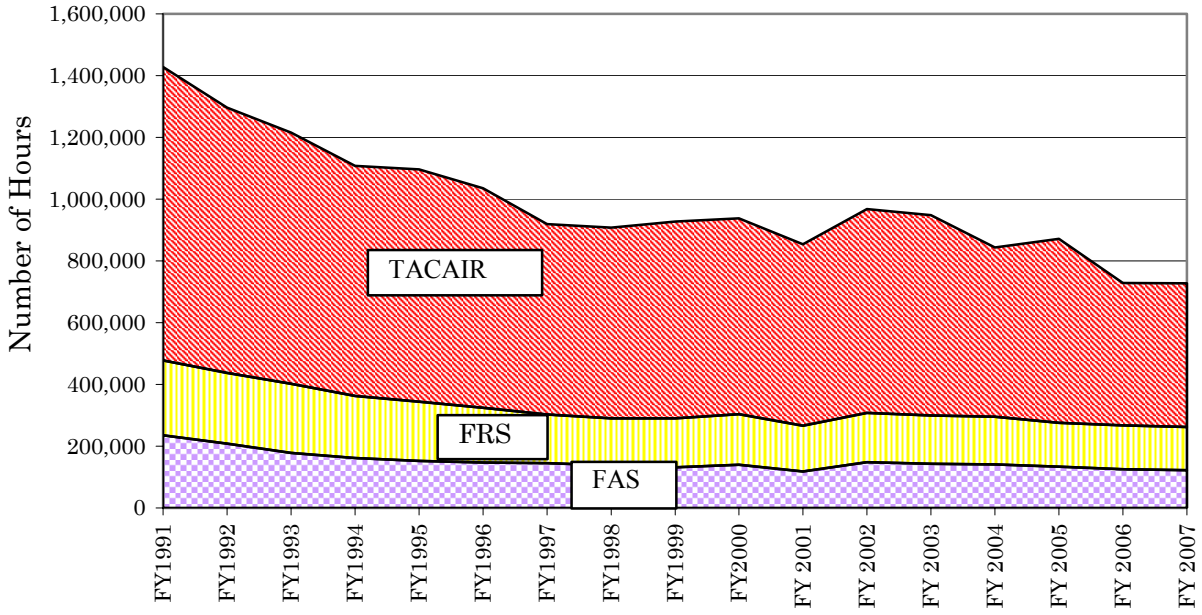



Table 8 displays active and flying hour readiness indicators.

## *Table 8*

### *Department of the Navy*
### *Flying Hour Program*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Active** | | | |
| *TACAIR* | *T-2.3* | *T-2.7* | *T-2.5* |
| *Goal* | *T-2.3* | *T-2.3* | *T-2.3* |
| Fleet Readiness Squadrons (%) | 84% | 83% | 82% |
| *Goal* | *84%* | *84%* | *84%* |
| Fleet Air Support (%) | 96% | 95% | 94% |
| *Goal* | *96%* | *96%* | *96%* |
| Monthly Flying Hours per Crew (USN & USMC) | 22.3 | 17.5 | 18.2 |
| **Reserve** | | | |
| Reserve Squadrons (%) | *T-2.3* | *T-2.8* | *T-2.3* |
| *Percent of Requirement Funded* | *90%* | *77%* | *90%* |
| Goal | *90%* | *90%* | *90%* |
| Monthly Flying Hours per Crew (USNR & USMCR) | 10.2 | 8.8 | 10.2 |

## *Aircraft Depot Maintenance*

The active and reserve aircraft depot maintenance programs fund repairs, conversions and overhauls, within available capacity, to ensure that a sufficient quantity of aircraft are available to operational units. The readiness-based model used to determine airframe and engine maintenance requirements is based on squadron inventory authorization necessary to execute assigned missions. The goal of the airframe rework program is to provide enough airframes to meet 100% PAA for deployed squadrons and 90% PAA for non-deployed squadrons. The engine rework program objective is to return depot-repairable engines/modules to Ready-for-Issue (RFI) status, to obtain both zero bare firewalls and fill 90% of each type/model/series RFI engine pool requirements. Other depot maintenance includes the repair of aeronautical components for aircraft systems and equipment under direct contractor logistics support.

**Percent Navy Aircraft Mission Capable/Fully Mission Capable (MC/FMC)**

| | FY 2005 | FY 2006 | FY 2007 | Goal |
|---|---|---|---|---|
| MC Aircraft | 68 | 70 | 70 | 73 |
| FMC Aircraft | 50 | 53 | 53 | 56 |

The Department's budget for FY 2007 is sufficient to achieve the active and reserve airframe readiness goals for deployed squadrons, while assuming some risk in engine maintenance and spares inventory. Active non-deployed squadrons are funded to achieve 94 percent and 80 percent of the airframe goal for FY 2006 and FY 2007, respectively; reserve non-deployed squadrons are funded to achieve 100 percent and 92 percent of the airframe goal for FY 2006 and FY 2007, respectively. Deployed squadrons have sufficient aircraft and engines to meet requirements prior to and during deployment. Non-deployed squadrons also have sufficient aircraft to satisfy post deployment readiness requirements associated with squadron and air wing training exercises.

To support a wide range of fleet operations and training, the Navy has targeted an aggregate aircraft Mission Capable (MC) rate of 73 percent and an aggregate Full Mission Capable (FMC) rate of 56 percent. This applies to both deployed and non-deployed aircraft. MC and FMC rates are dependent on both Aircraft Maintenenace and Air Operations funding levels.

Table 9 summarizes active and reserve aircraft depot maintenance.

## *Table 9*
### *Department of the Navy*
### *Aircraft Depot Maintenance*
*(Dollars in Millions)*

| | FY 2005 | *% at Goal* | FY 2006 | *% at Goal* | FY 2007 | *% at Goal* |
|---|---|---|---|---|---|---|
| **Active Forces** | | | | | | |
| Airframes | 747 | | 533 | | 520 | |
| Engines | 313 | | 281 | | 298 | |
| Other Components | 80 | | 83 | | 85 | |
| **Total: Active Aircraft Depot Maintenance** | **$1,140** | | **$897** | | **$903** | |
| **Airframes - Active Forces** | | | | | | |
| Deployed Squadrons meeting goal of 100% PAA | 144 | *100%* | 140 | *100%* | 132 | *100%* |
| Non-Deployed Squadrons meeting goal of 90% PAA | 158 | *100%* | 142 | *94%* | 127 | *80%* |
| **Engines - Active Forces** | | | | | | |
| Engine TMS meeting Zero Bare Firewall goal | 71 | *100%* | 71 | *100%* | 42 | *60%* |
| Engines TMS meeting RFI Spares goal of 90% | 71 | *100%* | 38 | *54%* | 1 | *1%* |
| **Reserve Forces** | | | | | | |
| Airframes | 114 | | 103 | | 96 | |
| Engines | 39 | | 40 | | 37 | |
| **Total: Reserve Aircraft Depot Maintenance** | **$153** | | **$143** | | **$133** | |
| **Airframes - Reserve Forces** | | | | | | |
| Non-Deployed Squadrons meeting goal of 90% PAA | 66 | *100%* | 65 | *100%* | 56 | *92%* |
| **Engines - Reserve Forces** | | | | | | |
| Engine TMS meeting Zero Bare Firewall goal | 48 | *100%* | 48 | *100%* | 48 | *100%* |
| Engine TMS meeting RFI spares goal of 90% | 48 | *100%* | 46 | *96%* | 44 | *92%* |

Note: Totals may not add due to rounding.

# *MARINE CORPS OPERATIONS*

## *Active Operations*

In FY 2006, the United States is responding to a wide range of challenges across the globe, including fighting the Global War on Terrorism, rebuilding Iraq into a peaceful, productive member of the world community, and preventing the spread of weapons of mass destruction. In this era, the Nation needs forces that are highly mobile, flexible, and adaptable. These characteristics define the Marine Corps, and they must continue to do so in the future.

A new initiative in 2006 is the Marine Corps Special Operations Command (MARSOC). The MARSOC is the Marine Corps Component to the Commander, United States Special Operations Command (USSOCOM), a Unified Combatant Commander. The MARSOC will perform the Title 10 functions of manning, organizing, training, and equipping Marine Special Operations Forces (MARSOF) to accomplish its mission. The MARSOC headquarters will be responsible for identifying Marine Special Operations-peculiar requirements; to develop Marine SOF tactics, techniques, procedures, and doctrine; and to execute assigned missions in accordance with designated conditions and standards. The MARSOC will perform missions in challenging environments to the exacting conditions and demanding standards determined by CDR USSOCOM. It will provide foreign military training, Special Reconnaissance (SR), Direct Action (DA), and Foreign Internal Defense (FID) capabilities. MARSOC will reach Full Operational Capability by 2010 with a projected end-strength of 2,600 personnel.

The operation and maintenance budget supports the Marine Corps operating forces, comprised of three active Marine Expeditionary Forces (MEFs). Each MEF consists of a command element, one infantry division, one air wing, and one mobile logistics group. This budget provides for training and equipment maintenance so that Marine Corps Force Commanders can provide combat ready forces to the Combatant Commanders. The Marine Corps is establishing two additional Infantry Battalions.

MEFs provide a highly trained, versatile expeditionary force capable of rapid response to global contingencies. The inherent flexibility of the MEF organization, combined with Maritime Prepositioning Force (MPF) assets, allows for the rapid deployment of appropriately sized and equipped forces. These forces possess the firepower and mobility needed to achieve success across the full operational spectrum in either joint or independent operations. Embedded within each MEF is the capability to source a Marine Expeditionary Brigade (MEB).

Table 10 displays Marine Corps land forces.

### *Table 10*
***Department of the Navy***
***Marine Corps Land Forces***

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Number of Marine Expeditionary Forces | 3 | 3 | 3 |
| Number of Marine Expeditionary Brigades | 4 | 4 | 4 |
| Number of Active Battalions | 52 | 52 | 53 |
| Number of Reserve Battalions | 21 | 20 | 20 |

## *Reserve Operations*

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group, and the Mobilization Command created by the merger of the Marine Corps Support Activity and the Marine Corps Reserve Support Command. The Department's FY 2007 budget ensures that the readiness of the reserve force will be maintained by providing increased funding for training, base support, and the operation and maintenance of equipment.

## *Ground Equipment Depot Maintenance*

Repair/rebuild is accomplished on a scheduled basis to maintain the readiness of the equipment inventory necessary to support operational needs. Items programmed for repair are screened to ensure that a valid stock requirement exists and that the repair or rebuild of the equipment is the most cost effective means of satisfying the requirement. This program is closely coordinated with the efforts funded in the Procurement, Marine Corps appropriation to ensure that the combined repair/procurement program provides a balanced attainment of inventory objectives for major equipment. Thus, the specified items to be rebuilt, both principal end items and components, are determined by a process which utilizes cost-benefit

considerations as a prime factor. The rebuild costs for each item are updated annually on the basis of current applicable cost factors at the performing activities. This peacetime budget provides for the major repair and rebuild of USMC ground equipment and balances long term risk with near term readiness for the Maritime Prepositioning Force and Marine Corps Operating Forces. In FY 2005, 53% of the Marine Corps Ground Equipment Depot Maintenance requirement was funded with supplemental resources.

Table 11 summarizes Marine Corps active and reserve forces ground equipment depot maintenance.

## *Table 11*

### *Department of the Navy*

### *Marine Corps Ground Equipment Depot Maintenance*

*(Dollars in Millions)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| | $ | *% of Rqmt* | $ | *% of Rqmt* | $ | *% of Rqmt* |
| **Active Forces** | | | | | | |
| Combat Vehicles | 192.4 | *90%* | 64.0 | *30%* | 77.1 | *56%* |
| Tactical Missiles | 4.6 | *52%* | - | *-%* | - | *-%* |
| Ordnance | 10.9 | *72%* | 1.5 | *10%* | 0.3 | *2%* |
| Electrical Communication | 37.2 | *62%* | 6.9 | *29%* | 12.9 | *57%* |
| Engineering | 20.0 | *60%* | - | *-%* | 0.5 | *5%* |
| Automotive Equipment | 66.2 | *66%* | 16.9 | *31%* | 20.3 | *35%* |
| **Total Active Forces** | **$331.1** | ***77%*** | **$89.4** | ***27%*** | **$111.2** | ***34%*** |
| **Reserve Forces** | | | | | | |
| Combat Vehicles | 2.7 | *100%* | 11.8 | *84%* | 11.2 | *59%* |
| Tactical Missiles | - | *-%* | - | *-%* | - | *-%* |
| Ordnance | 9.2 | *100%* | 0.1 | *10%* | - | *-%* |
| Electrical Communication | 0.1 | *100%* | - | *-%* | - | *3%* |
| Engineering | - | *-%* | 0.1 | *2%* | 0.5 | *24%* |
| Automotive Equipment | - | *-%* | 1.7 | *69%* | 2.0 | *76%* |
| **Total Reserve Forces** | **$11.9** | ***100%*** | **$13.7** | ***64%*** | **$13.7** | ***50%*** |
| **Total Active & Reserve Forces** | **$343.0** | | **$103.1** | | **$124.9** | |


| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Operation and Maintenance, Marine Corps | A-6 |
| Operation and Maintenance, Marine Corps Reserve | A-8 |

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# *SECTION III- SHAPING OUR 21ST CENTURY MANPOWER*

## *OVERVIEW*

People who are well led, well trained, and adequately compensated are the most important resource in our readiness equation. Quality of life and quality of service remain a primary focus for the Department. America's naval forces are combat-ready largely due to the dedication and motivation of individual Sailors, Marines, and civilians. The development and retention of quality people are vital to our continued success. The Department is committed to taking care of our Sailors and Marines by sustaining our quality of service/quality of life programs, including training, compensation, and promotion opportunities, health care, housing, and reasonable operational and personnel tempo. The Department continues to focus on three fronts: recruiting the right people, retaining the right people, and achieving targeted attrition. We continue to dedicate resources to those programs best suited to ensuring the proper combination of grade, skill, and experience in the force.

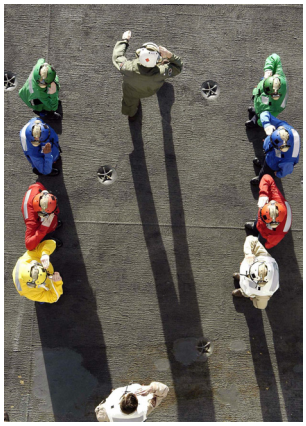
Military personnel FY 2007 budget estimates include a basic pay raise of 2.2 percent and targeted pay raises for warrant officers and mid-grade/senior enlisted personnel to increase their compensation to the 70th percentile of comparable civilian compensation. We have funded various bonus programs to ensure success in meeting budgeted strength levels. As a result of increased efficiencies ashore and a reduction in legacy force structure, the Navy has budgeted reduced strength in FY 2007. All assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. The Marine Corps baseline strength remains steady while undergoing military to civilian conversions to reassign supporting establishment billets to deployable forces, in effect creating a virtual increase in strength while providing scalable and interoperable forces to ensure continued readiness. Congress has authorized additional strength for the Marine Corps, and the Department will separately fund such requirements in supplemental requests as they continue.

The training of Sailors and Marines is critical to the implementation of transformational initiatives, delivering qualified personnel to the right place at the right time. The Department is transforming the naval military personnel force by creating modern human resource systems to achieve the objectives of *Sea Power 21* and *21st Century Marine Corps*. Utilizing advanced technologies, the Department is shifting from the traditional schoolhouse classroom approach to the use of simulators, trainers, computer-based interactive curriculums, and other media-based approaches. This initiative provides Sailors and Marines with appropriate training, accommodates the demand in a more efficient manner, and identifies and delivers personnel capable of performing critical tasks to a smaller, more complex Navy.

# *MILITARY PERSONNEL*

## *Active Navy Personnel*

We have invested in recruiting, retaining, and training Navy personnel to create an environment that offers opportunity, promotes personal and professional growth, and provides the kind of workforce needed for the 21st century. With few exceptions, we achieved C-2 manning status for all deploying strike group units at least six months prior to deployment.



The Navy's mission is to organize, train, maintain, and equip combat-ready naval forces capable of: winning the global war on terrorism and any other conflict; deterring aggression by would-be foes; preserving freedom of the seas; and promoting peace and security. The most important element in carrying out our mission is people. Our Navy people – military, both active and reserve; civilian, both government civilians and contractors; and our families bring dedication, patriotism, strength, unity of effort and diversity of talent and culture to our Navy. Our people are critical to our success; *Strategy for Our People* serves as the framework for charting a new and clear vision for them. The strategy will help guide the Navy to develop a competency-focused workforce; align organizations, strategies, policies and processes; recruit, retain, and motivate people; set performance expectations against measurable organizational goals; maximize contributions from every individual while providing opportunities for growth and work-life balance to them; and achieve diversity throughout our force, our total force.

*Strategy for Our People* and subsidiary enterprise and community-level strategic plans called for in these pages will ensure alignment across the Navy enterprise while we meet the challenges outlined in the Quadrennial Defense Review's Managing People chapter, the Department of the Navy's *Strategy for Our People*, CNO Guidance for 2006, and the Navy's Strategic Plan. The strategic planning that results from alignment of these capstone documents will become a repeatable practice that provides continuity and consistency throughout planning cycles. Personnel readiness improvement is the important outcome of all these efforts.

*Strategy for Our People* begins to move our Navy toward a capability-based and competency-focused workforce that develops and sustains the critical competencies necessary to support our expanding role in the Global War on Terror, Homeland Defense, and stability operations. We must also determine the future force – in terms of capabilities, size, and mix – required to assure our allies and friends, and dissuade, deter and/or defeat our enemies. While we address our skill imbalances we will also focus and improve our efforts in the talent marketplace to achieve a more diverse workforce. We will link and leverage Sea Warrior and National Security Personnel System processes to achieve an agile and robust Total Force personnel architecture that rewards performance and can quickly respond to emerging competency demand signals.

Ultimately, our strategy is about on time delivery of the best value workforce – specifically the right component of the workforce to the right place with the right competencies and motivation to support Joint and Navy mission accomplishment.

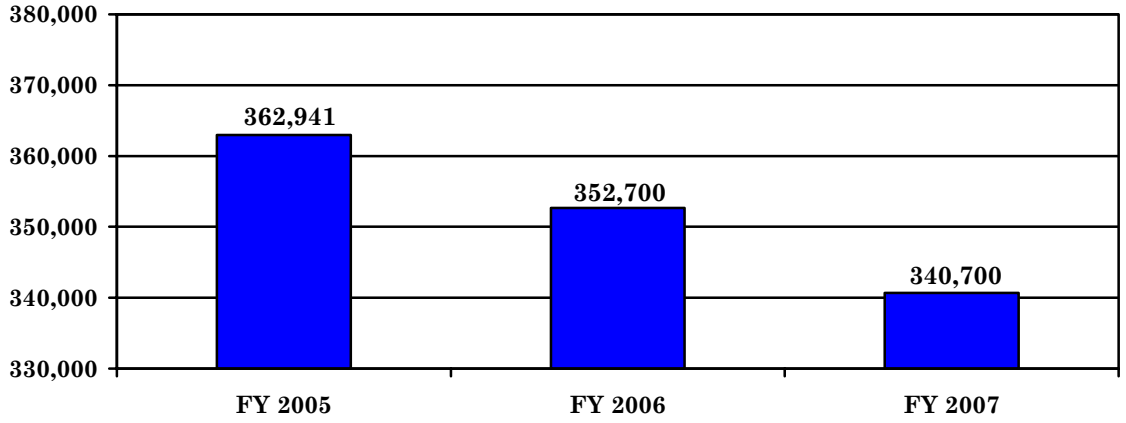
Recruiting continues to meet the manpower needs of the Navy. Active Navy recruiters have met their monthly shipping and new contract mission goals for 54 consecutive months. Active recruiting also continued to increase the quality of sailors being sent to the fleet by increasing the High School Diploma Graduate percentage to over 95 percent, and over 70 percent of FY 2004 accessions were in test score category I-IIIA. Over 12 percent of new recruits had some college experience. We will maintain the number of E-4 to E-9 (Top 6) at 73 percent in FY 2007 to continue to retain more of our experienced leaders and maintain advancement opportunities.

**Recruiter Productivity (Active)**

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| # of Recruiters | 3,824 | 3,750 | 3,750 |
| # of Recruits (New Contracts) | 34,403 | 37,452 | 35,000 |
| # of Recruits per Recruiter | 9 | 10 | 9 |
| Size of DEP (Beginning of FY) | 25,374 | 21,743 | 22,743 |

Chart 8 and Table 12 provide summary personnel strength, accession, reenlistment, and attrition data for active Navy personnel.

## *Chart 8- Active Navy Personnel Strength*




## *Table 12*

### *Department of the Navy*
### *Active Navy Personnel*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Officers | 52,826 | 51,895 | 51,095 |
| Enlisted | 305,735 | 296,705 | 285,605 |
| Midshipmen | 4,380 | 4,100 | 4,000 |
| **Total: Strength** | **362,941** | **352,700** | **340,700** |
| | | | |
| Enlisted Accessions | 37,703 | 36,456 | 35,000 |
| Percent High School Diploma Graduates | 96% | 95% | 95% |
| Percent above average Armed Forces Qualification Test | 70% | 70% | 70% |

**Enlisted Reenlistment Rates**

| | FY 2005 | FY 2006 | FY 2007 | Steady State Goal |
|---|---|---|---|---|
| Zone A (<6 years) | 52% | 51% | 53% | 53% |
| Zone B (6 to 10 years) | 63% | 60% | 67% | 64% |
| Zone C (10 to 14 years) | 85% | 84% | 86% | 85% |

Note: Strength Plans categorize reenlistments as First Term (Zone A) and Career.
Zones B and C rates derived using extrapolated Center for Career Development historical data.

**Enlisted Attrition**

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Zone A (<6 years) | 8.2% | 8.1% | 8.1% |
| Zone B (6 to 10 years) | 2.3% | 1.7% | 1.7% |
| Zone C (10 to 14 years) | 1.1% | 0.9% | 0.9% |

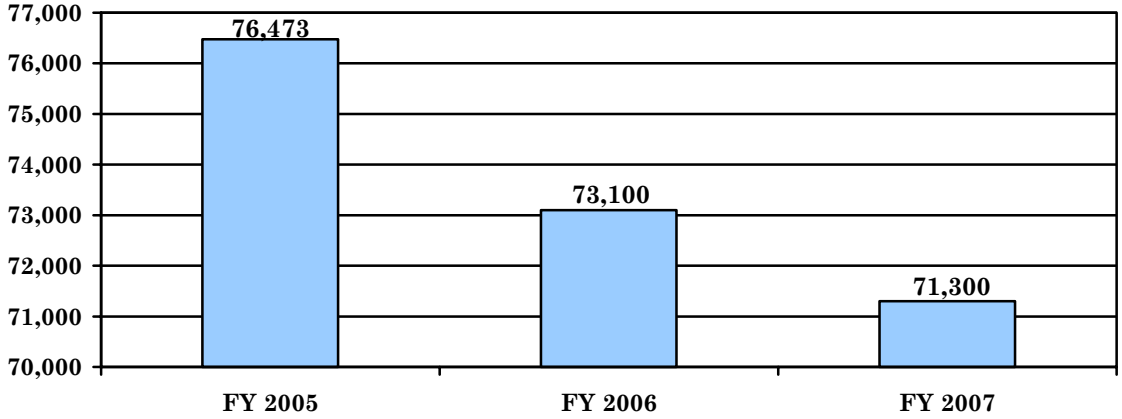
## *Reserve Navy Personnel*

The budget continues to transform our military, further integrating our Active and Reserve forces. The Navy Reserve Force provides mission-capable units and individuals to the Navy/Marine Corps Team throughout the full range of operations from peace to the Global War on Terrorism. This budget will support Navy Reserve strength of 73,100 in FY 2006, reduced to 71,300 in FY 2007, providing pay and allowances for drilling Navy reserve and Full Time Support (FTS) personnel. FY 2005 strength was 76,473.

The Navy's continuous Zero Based Review (ZBR) is validating Navy Reserve mission requirements and associated reserve billet structure, creating efficiencies and allowing resources in every capability to be more effectively integrated into Navy operations. The budget reflects implementation of the initial phases of the ZBR. Some of these modifications include: disestablishment of FFG-7 class augment units and changes to the ship manning documents, reduction of CVN augment units and SeaBee units, deletion of reserve personnel on a submarine tender, reductions in manning at various naval stations, conversion of Force Protection FTS and drilling reserve billets, and disestablishment of the EA-6B augment units due to future transition to EA-18G. This budget also provides a non-prior service program to meet Hospital Corpsman manning challenges and adds funding for force shaping to allow the force to align to the ZBR structure. The Navy Reserve goal is to increase the ability to provide integrated, valued, and aligned capabilities that maximize periodic and predictable operational support to the fleet.

Chart 9 and Table 13 provide summary personnel strength, for reserve Navy personnel.

### *Chart 9 - Reserve Navy Personnel Strength*



## *Table 13*
### *Department of the Navy*
### *Reserve Navy Personnel*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Drilling Reserve | 62,766 | 59,708 | 58,736 |
| Full Time Support | 13,707 | 13,392 | 12,564 |
| **Total: Strength** | **76,473** | **73,100** | **71,300** |

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Personnel, Navy | A-1a |
| Medicare-Eligible Retiree Health Fund Contribution, Navy | A-1b |
| Reserve Personnel, Navy | A-3a |
| Medicare-Eligible Retiree Health Fund Contribution, Navy Reserve | A-3b |

## *Active Marine Corps Personnel*

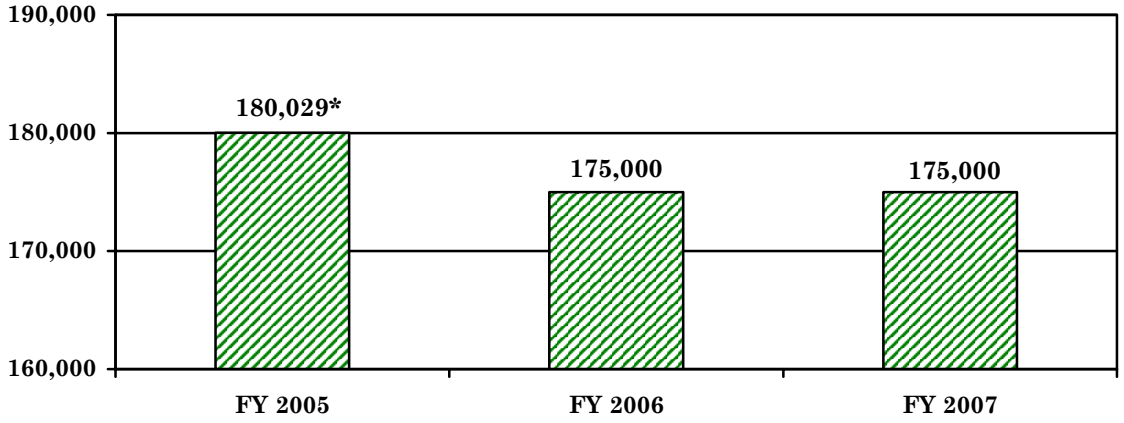
This budget submission supports a strength of 175,000 Marines. The Marine Corps is realigning existing strength to ensure continuing readiness and sustained combat capabilities. Military to civilian conversions allow Marines who were in supporting establishment billets to be reassigned to deployable forces, effectively increasing the number of "trigger pullers" with no increase in strength. Also, additional authorized strength will be funded through supplemental requests to the extent it remains necessary during intense contingency operations. Due to increased demands, we are relying on Selected Marine Corps Reserve unit activations and individual augmentees as necessary to provide essential wartime capability.

The Marine Corps anticipates continued success in meeting recruiting and retention goals to maintain the planned force level. Additionally, this budget supports requirements for initial skill training, and follow-on training courses; provides for a martial arts program that provides combat skills for all members; and supports continued success in meeting recruit accession goals. This budget request also continues distance-learning programs in an effort to reduce the training pipeline, thereby increasing manning levels of the operating forces.

| **Recruiter Productivity (Active)** | | | |
|---|---|---|---|
| | FY 2005 | FY 2006 | FY 2007 |
| # of Recruiters | 2,650 | 2,650 | 2,650 |
| # of Recruits | 32,863 | 32,468 | 32,600 |
| # of Recruits per Recruiter | 12 | 12 | 12 |
| Size of DEP (Beginning of FY) | 22,533 | 18,973 | 18,973 |

Chart 10 and Table 14 provide summary personnel strength, accessions, and retention data for active Marine Corps personnel.

## *Chart 10 - Active Marine Corps Personnel Strength*




*FY 2005 strength achieved through supplemental funding.

## *Table 14*

### *Department of the Navy*
### *Active Marine Corps Personnel*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Officers | 18,885 | 18,400 | 18,400 |
| Enlisted | 161,144 | 156,600 | 156,600 |
| **Total: Strength** | **180,029** | **175,000** | **175,000** |
| | | | |
| Enlisted Accessions | 32,863 | 32,468 | 32,600 |
| Percent High School Diploma Graduates | 96% | 95% | 95% |
| Percent above average Armed Forces Qualification Test | 70% | 63% | 63% |
| Reenlistments | 13,499 | 17,519 | 16,542 |

**Enlisted Reenlistment Rates**

| | FY 2005 | FY 2006 | FY 2007 | Steady State Goal |
|---|---|---|---|---|
| Zone A (<6 years) | 27% | 25% | 25% | 25% |
| Zone B (6+ to 10 years) | 56% | 55% | 55% | 55% |
| Zone C (10+ to 14 years) | 72% | 70% | 70% | 70% |

## *Reserve Marine Corps Personnel*

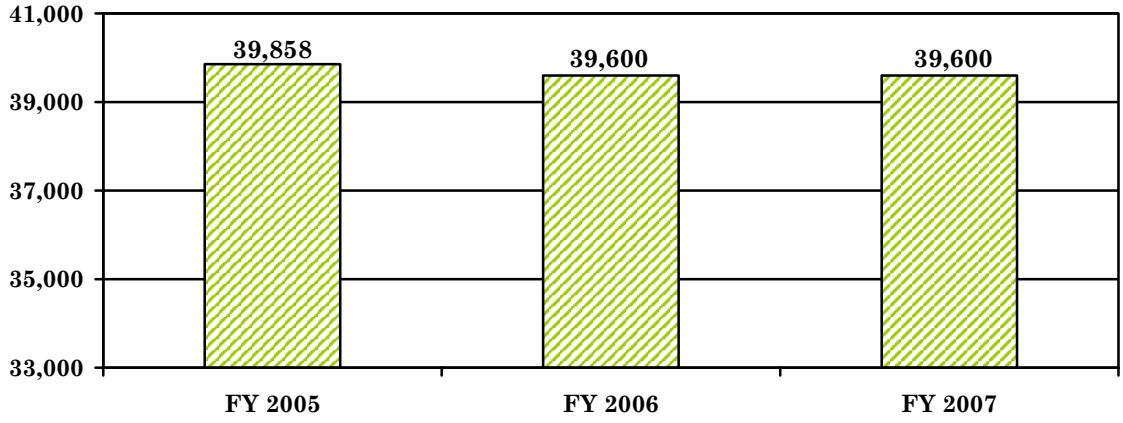
The FY 2007 budget request supports a Marine Corps Reserve strength of 39,600. This strength ensures the availability of trained units augmenting and reinforcing the active forces, as well as providing manpower for a Marine Air Ground Task

Force headquarters and Marine Forces Reserve. The budget provides pay and allowances for drilling reservists attached to specific units, Individual Mobilization Augmentees (IMAs), personnel in the training pipeline, and full-time active reserve personnel. Consistent with the active component, the Marine Corps funds bonus programs at levels required to meet recruiting and retention goals.

The Marine Corps continually reviews its reserve requirements to fully support the National Military Strategy. The Department remains committed to reserve support enhancing and complementing the active force while maintaining unit readiness to meet crisis and security requirements.

Chart 11 and Table 15 provide summary personnel strength for reserve Marine Corps personnel.

## *Chart 11 - Reserve Marine Corps Personnel Strength*




## *Table 15*

### *Department of the Navy*
### *Reserve Marine Corps Personnel*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Drilling Reserve | 37,602 | 37,339 | 37,339 |
| Full Time Support | 2,256 | 2,261 | 2,261 |
| **Total: Strength** | **39,858** | **39,600** | **39,600** |

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Personnel, Marine Corps | A-2a |
| Medicare-Eligible Retiree Health Fund Contribution, Marine Corps | A-2b |
| Reserve Personnel, Marine Corps | A-4a |
| Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve | A-4b |

# *CIVILIAN PERSONNEL*

The majority of the Department's civilian personnel are funded by operating appropriations and provide direct support at Navy and Marine Corps shore activities; engineering, development, acquisition, and life cycle support of weapon systems; Navy Fleet/Marine Corps operations support; and medical activities. Departmental functions include: Departmental headquarters organizations, criminal investigative service, human resource support, scientific research, and acquisition program oversight within the Navy and Marine Corps. Since FY 2000, the Department exceeded the directed management headquarters personnel reduction of 15 percent. In addition, a significant portion of civilian personnel are employed at Navy Working Capital Fund (NWCF) activities engaged in depot level maintenance and repair, development of enhanced warfighting capabilities at warfare centers, and direct fleet transportation, supply, and public works support. Overall reductions in civilian personnel levels are offset by increases for military to civilian conversions in the medical, transportation and Marine Corps areas.

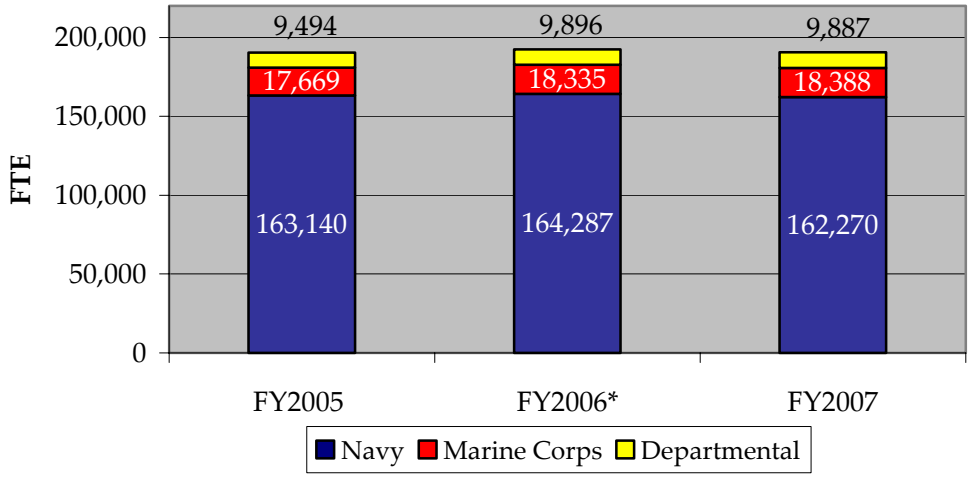
In FY 2007, we are proposing that 11,217 civilian personnel transfer from NWCF to O&MN to transition the two east coast shipyards to mission funding.

The Department of the Navy budget includes the following civilian personnel Full-Time Equivalent (FTE) workyear estimates:

**Civilian FTE Workyear Estimates**

| | FY 2005 | FY 2006* | FY 2007 |
|---|---|---|---|
| FTE | 190,303 | 192,518 | 190,545 |

## *Chart 12 - Civilian Personnel FTEs*




*Reflects anticipated execution

## *Transforming the Workforce*

***National Security Personnel System (NSPS)***

The FY 2004 National Defense Authorization Act authorized the Department of Defense to establish a new civilian human resources management system known as the National Security Personnel System (NSPS). This legislation provides flexibilities in the hiring and management of civilian workers, and links pay to mission accomplishment and performance. The NSPS reforms will provide supervisors and managers greater flexibility in managing civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service.

Workers will be converted to the new system in three groups. The first group, Spiral 1.1, will include personnel from Army, Navy, Air Force, and other Department of Defense civilian employees, and will be rolled out beginning in FY 2006. Subsequent groups will comprise the remainder of the eligible workforce and will be initiated following an assessment of Spiral 1.1 and after the Secretary of Defense certifies the Department's performance management system.

***Workforce Balancing***

The Department strives to achieve the most effective and efficient workload balance among its military, civilian, and supporting contractor components. As part of the Strategic Sourcing program, the Department will continue to study military and civilian positions across the FYDP. Finally, the Department continues to identify military billets that are not "military essential" for conversion to civilian personnel or contractor performance.

***Civilian Community Management***

The Department is enhancing civilian career management. The identification of needed competencies for each career group and performance standards necessary for mission accomplishment is key. This will ensure the Navy and Marine Corps will have the right mix of people and skills.

The Department of the Navy continues to strive towards a leaner, more efficient organization to best address its warfighting and recapitalization requirements. Chart 12 displays planned civilian personnel full-time equivalents and Table 16 displays total civilian personnel resources.

## *Table 16*
### *Department of the Navy*
### *Civilian Manpower*
### *Full-time Equivalent*

| | FY 2005 | FY 2006* | FY 2007 |
|---|---|---|---|
| **Total — Department of the Navy** | 190,303 | 192,518 | 190,545 |
| **By Component** | | | |
| Departmental | 9,494 | 9,896 | 9,887 |
| Navy | 163,140 | 164,287 | 162,270 |
| Marine Corps | 17,669 | 18,335 | 18,388 |
| | | | |
| **By Type Of Hire** | | | |
| Direct | 178,880 | 181,166 | 179,196 |
| Indirect Hire, Foreign National | 11,423 | 11,352 | 11,349 |
| | | | |
| **By Appropriation** | | | |
| Operation and Maintenance, Navy | 85,511 | 85,508 | 96,526 |
| Operation and Maintenance, Navy Reserve | 1,290 | 1,113 | 1,018 |
| Operation and Maintenance, Marine Corps | 15,366 | 15,604 | 16,246 |
| Operation and Maintenance, Marine Corps Reserve | 182 | 207 | 207 |
| **Total - Operation and Maintenance** | **102,349** | **102,432** | **113,997** |
| | | | |
| **Total - Working Capital Funds** | **83,387** | **85,316** | **71,968** |
| | | | |
| Military Construction, Navy | 2,053 | 2,164 | 2,112 |
| Research, Development, Test & Evaluation, Navy | 1,353 | 1,437 | 1,443 |
| Military Assistance | 68 | 69 | 69 |
| Family Housing (N/MC) | 1,093 | 1,100 | 956 |
| **Total - Other** | **4,567** | **4,770** | **4,580** |
| | | | |
| **Select Special Interest Areas** | | | |
| Shipyards | 25,194 | 25,643 | 24,527 |
| Fleet Activities | 11,492 | 12,437 | 12,235 |
| Aviation Depots | 10,561 | 10,700 | 10,340 |
| Supply/Distribution/Logistics Centers | 6,879 | 7,624 | 7,824 |
| Warfare Centers | 34,974 | 34,251 | 32,960 |
| Engineering/Acquisition Commands | 12,385 | 12,875 | 14,070 |
| Medical (DHP) | 10,606 | 12,608 | 13,374 |
| Installation Management | 23,609 | 19,339 | 17,423 |
| Transportation | 7,096 | 7,344 | 7,893 |

*Reflects Anticipated Execution

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# SECTION IV-IMPROVING BUSINESS PRACTICES

Providing our Sailors, Marines, and civilians with high quality facilities, information technology, and an environment to achieve their goals are fundamental to mission accomplishment. The ability to project power through forward deployed naval forces relies heavily on a strong and efficient shore support structure.

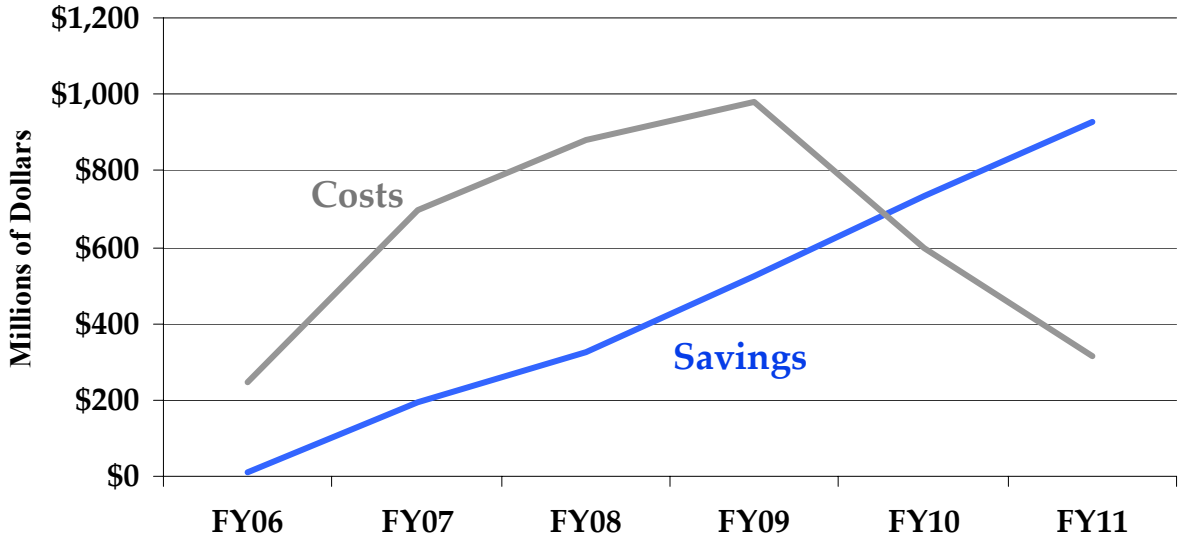
## BASE REALIGNMENT AND CLOSURE (BRAC)

The BRAC process has been a major tool for reducing the domestic base structure and generating savings. Continuing to balance the Department's force and base structures by eliminating unnecessary infrastructure is critical to preserving future readiness.

**BRAC 2005:**

The BRAC Commission recommendations for reshaping the Defense Department's infrastructure and force structure became official on November 9, 2005. The FY 2007 budget reflects a fully financed implementation program that completes all closures and realignments within the statutory six-year implementation period. The budget reflects only modest savings in FY 2007, but it is expected that overall savings will exceed $1 billion annually after FY 2011.

### *Chart 13 – BRAC 2005 Costs and Savings*



The budget includes a substantial investment in military construction, totaling $559 million in FY 2007 alone. Major closure and realignment efforts continued or initiated in FY 2007 are highlighted below:

**The continuation of closure efforts begun in FY 2006 at:**

- Naval Station Pascagoula, MS
- Naval Air Station Brunswick, ME
- Naval Station Ingleside, TX
- Naval Support Activity New Orleans, LA

**The initiation of closure efforts beginning in FY 2007 at:**

- Naval Air Station Atlanta, GA
- Naval Supply School Athens, GA

**The initiation of realignment efforts at:**

- Fleet Readiness Centers, various locations
- NAVFAC Engineering Field Divisions/Activities, various locations
- Naval Station Newport, RI
- San Antonio Regional Medical Center, TX

The FY 2007 program also continues Planning, Design and Management efforts, and Environmental Assessments and Environmental Impact Statements at various locations begun in FY 2007.

**Prior BRAC Rounds (BRAC I-IV):**

The FY 2007 budget emphasizes the Department's commitment to environmental compliance and restoration, while also fulfilling real estate and caretaker functions prior to property disposal at BRAC sites from the four prior BRAC rounds and Naval Station Roosevelt Roads.

The FY 2007 budget also finances critical regulatory efforts, while employing revenue from the sale of property at the former Marine Corps Air Station El Toro, CA to accelerate environmental cleanup at: Marine Corps Air Station Tustin, CA; Marine Corps Air Station El Toro, CA; Naval Air Station Moffet Field, CA; Naval Air Station Alameda, CA; Hunters Point Naval Shipyard, CA; Naval Station Treasure Island, CA; Naval Shipyard Mare Island, CA, and other BRAC locations.



| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Base Realignment and Closure Accounts | A-20 |

# *MILITARY CONSTRUCTION*

The Department of the Navy's facility investment strategy focuses on recapitalizing inadequate and inefficient facilities, constructing new facilities to improve the quality of life of our Sailors and Marines, supporting new mission requirements, enhancing anti-terrorism and force protection, and correcting critical deficiencies. The FY 2007 budget requests 58 military construction projects for the active Navy and Marine Corps, and eight military construction projects for the Navy and Marine Corps reserves. Included in the FY 2007 request are six military construction projects at various locations associated with the establishment of the Marine Corps Component of the Special Operations Command (MARSOC). The FY 2007 budget also includes a $62 million legal settlement associated with the purchase of Blount Island, FL in FY 2004. The FY 2007 budget request achieves the Department's key goals.

**The FY 2007 budget provides state of the art facilities to meet new and critical mission requirements:**

- Patuxent River, MD: MMA Test Facility;
- Coronado, CA: Waterfront Amphibious Operations Facility;
- Norfolk, VA: Helicopter Training Facility Addition;
- Pearl Harbor, HI: Helicopter Flight Training Facility, Mobile User Objective System Site Preparation;
- Sigonella, Italy: Mobile User Objective System Installation;
- VARLOCS: Helicoptor Support Facility.

**The FY 2007 budget provides facilities for the newly established Marine Corps component of the Special Operations Command at various locations:**

- Camp Pendleton, CA: BEQ/Dining Facility;
- Camp Lejeune, NC: Intelligence Operations Facility, Maintenance Complex, BQ, Dining Facility and Medical Facility.

**The FY 2007 budget provides joint-use facilities at:**

- Pensacola, FL: BEQ at Joint EOD School;
- Norfolk, VA: Joint Deployment/Fleet Services Command Center.

**The FY 2007 budget provides improved Anti-Terrorism/Force Protection for our Sailors and Marines at:**

- Bremerton, WA;
- King's Bay, GA.

**The FY 2007 budget request improves the quality of life of our Sailors and Marines at:**

- Quantico, VA: Student Quarters, Academic Instruction Facility;
- Camp Pendleton, CA: Bachelor's Quarters (two projects);
- Beaufort, SC: Dining Facility;
- Camp Lejeune, NC: Academic Instruction Facility.

**The Department continues its ambitious recapitalization program at:**

- Yuma, AZ: Fueling Apron;
- Camp Pendleton, CA: Light Armored Reconnaissance Company Facility, Expeditionary Fighting Vehicle Facility, Armory/Communications Complex, Fire Station, Regimental Maintenance Support Facility, Taxiway Improvements, Tactical Van Pad Expansion;
- Miramar, CA: Missile Magazine;
- Twenty-nine Palms, CA: Communications/Electric Maintenance and Storage Facility;
- Pearl Harbor, HI: Dredge Channel for T-AKE;
- Camp Lejeune, NC: Armories-II MEF, Mod-K Ranges, Ammo Supply Point Upgrade;
- New River, NC: Hangar;
- Beaufort, SC: Land Acquisition;
- Norfolk, VA: Damage Control Trainer, Dry Dock 8 Modernization;
- Whidbey Island, WA: Hangar 5 Recapitalization;
- Diego Garcia: Wharf Improvements/Shore Support Facility.

**The FY 2007 budget initiates one incremental project, the National Maritime Intelligence Center in Washington, DC, and continues or completes incremental projects begun in prior years, including:**

- Annapolis, MD: Wesley Brown Field House;
- Portsmouth, VA: Ship Repair Pier 3;
- Jacksonville, FL: Helicopter Hangar Replacement;
- Great Lakes, IL: Recruit Training Command Infrastructure Upgrade;
- Camp Pendleton, CA: Reclamation/Conveyance;
- Marianas/Guam: Alpha/Bravo Wharves Improvements;
- Washington County, NC: F/A-18 Outlying Landing Field;
- Norfolk, VA: Pier 11 Replacement;
- Silverdale, WA: Limited Area Production & Storage Facility;
- Everett, WA: BEQ Homeport Ashore;
- Quantico, VA: Hockmuth Hall Addition;
- Japan: Wharf Upgrades.

The FY 2007 budget also includes Navy and Marine Corps Reserve military construction projects at: Newburgh, NY; San Bernardino, CA; St. Louis, MO; Omaha, NB; Camp Lejeune, NC; Washington, DC; and Fort Worth, TX.

| FY 2007 MILCON Summary (Active & Reserve) | | | |
|---|---|---|---|
| **$M** | **FY 2005** | **FY 2006** | **FY 2007** |
| Navy | 938 | 1,361 | 697 |
| Marine Corps | 427 | 243 | 513 |
| **Total** | **$1,365** | **$1,604** | **$1,210** |

## *FAMILY HOUSING*

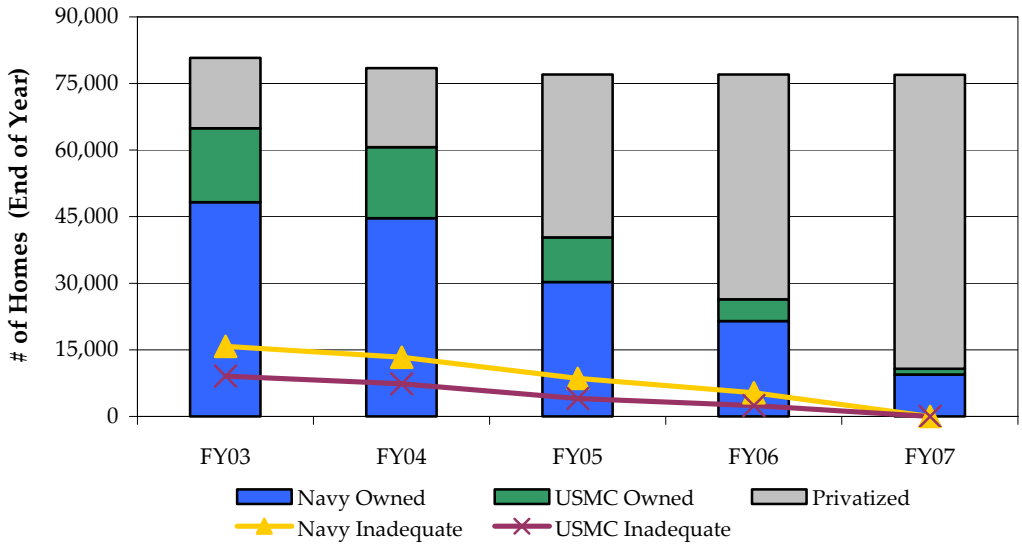
The FY 2007 budget request completes the investment to eliminate inadequate units by FY 2007 through a three-pronged strategy consisting of privatization of housing, improved housing allowances, and construction. Though funding decreases from FY 2006 levels, the Department achieves the goal of zero inadequate family housing units by FY 2007. Performance expectations for family housing are reflected in Chart 14.

For the Navy $98.2 million is budgeted for replacement projects planned for Guam, Marianas Islands addressing 176 units. Also, there is $19.9 million budgeted for privatization projects. Public Private Venture (PPV) awards are planned in the Southeast Region and San Diego, correcting 5,114 inadequate units. In addition to government financing, we estimate the private sector will contribute over $545 million in development capital for these PPV projects in FY 2007.

For the Marine Corps a $27.9 million replacement project is planned for Barstow, CA. Also, $154.6 million is budgeted for privatization projects. Privatization of 3,463 homes, eliminating 2,260 inadequate units and constructing 418 deficit-reduction units (including 271 units in support of the Marine Corps Special Operations Command (MARSOC) forces), is planned at Marine Corps Base Camp Lejeune and Marine Corps Air Station Cherry Point in North Carolina, Marine Corps Base Camp Pendleton, California, and Marine Corps Base Hawaii with an "end-state" of 3,541 units. In addition to government financing, we estimate the private sector will contribute over $360 million in development capital for these PPV projects in FY 2007.

| Family Housing Units | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| New construction projects | - | 1 | 3 |
| Construction units | - | 126 | 250 |
| Privatization projects/units | 18,899 | 13,940 | 15,538 |

### *Chart 14 - Family Housing End of Year Inventories*




## *FACILITY SUSTAINMENT, RESTORATION, AND MODERNIZATION*

Appropriate investments of facility sustainment, recapitalization, and demolition funds are necessary to maintain an inventory of facilities in good working order and preclude premature degradation. The annual facility sustainment requirement, determined by the Department of Defense's facilities sustainment model, is calculated by applying both a unit sustainment cost (based upon industry facility standards) and a geographic area cost factor to the appropriate unit quantity (square feet, linear feet, etc.). The DoD goal is to have no more than five percent deferred sustainment through FY 2007, and then to fund sustainment at 100 percent of requirement beginning in FY 2008.

The Department utilizes an industry-based facility investment model to keep the facility inventory at an acceptable level of quantity and quality through life-cycle maintenance, repair, and disposal. Facility recapitalization (based upon industry facility standards) occurs through restoring or modernizing aged and damaged facilities. The annual funding requirement for facilities restoration and modernization (R&M) is based on the Department of Defense (DoD) goal of correcting facilities deficiencies to achieve a C-2 readiness rating in all facilities mission areas by FY 2010 and to achieve a recapitalization rate of 67 years by 2008. Readiness ratings (C-1, C-2, etc.) are described in the Installations' Readiness Report. While the Department's goal is to fully fund the requirement for replacement and R&M, competing priorities have led to the decision that a level of risk was acceptable in this area. Thus, the FY 2007 budget does not meet the DoD goal.

Table 17 summarizes the Department's Facility Sustainment, Restoration, and Modernization program.

## *Table 17*

### *Department of the Navy*

### *Facility Sustainment, Restoration, and Modernization*

*(In Millions of Dollars)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Navy | 1,194 | 1,281 | 1,195 |
| Marine Corps | 507 | 523 | 514 |
| **Total DON Facility Sustainment (All Appropriations)** | **$1,701** | **$1,804** | **$1,709** |
| Annual Unfunded Sustainment | | | |
| Navy | 127 | 118 | 63 |
| *% of Model Funded (Goal is 95% through 2007)* | *90%* | *92%* | *95%* |
| Marine Corps | 1 | 10 | 30 |
| *% of Model Funded (Goal is 95% through 2007)* | *95%* | *93%* | *90%* |
| **Total Unfunded Sustainment** | **$128** | **$128** | **$93** |
| Restoration and Modernization (R&M) Funding * | | | |
| Navy | 1,298 | 2,024 | 1,409 |
| Marine Corps | 323 | 244 | 227 |
| **Total DON R&M (All Appropriations)** | **$1,621** | **$2,268** | **$1,636** |
| Facilities Recapitalization Rate (Navy) | 78 | 55 | 82 |
| Facilities Recapitalization Rate (Marine Corps) | 73 | 102 | 112 |

* Totals Include BRAC and Hurricane Supplemental amounts

Note: Totals may not add due to rounding


| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Military Construction, Navy and Naval Reserve | A-18 |
| Family Housing, Navy and Marine Corps | A-19 |
| Base Realignment and Closure Accounts | A-20 |

## *NAVY MARINE CORPS INTRANET (NMCI)*

All of our business transformation objectives require a reliable, modern, interoperable infrastructure to be successful. NMCI offers the opportunity for the Department of the Navy to leverage new technologies and industry innovation to better achieve our global naval mission. It will enable connection to the national infrastructure, extend sharing and creation of knowledge and expertise worldwide, empower innovative work and training, and enhance the quality of service for every Marine, Sailor, and civilian. The connectivity NMCI provides will enable our people to increase their productivity and access all the resources that extend throughout the naval enterprise and our Nation. NMCI has also been a forcing function causing the Department to take inventory of its legacy application portfolio, which has subsequently been reduced by 90 percent. The NMCI contract was awarded in October 2000 for $6.9 billion and represents the largest service contract ever awarded by the Department of Defense. Congress authorized a two-year extension of the basic five-year contract in September 2002. We have fully accommodated the implementation of the NMCI within existing budget totals and reflected the distributed costs and benefits throughout the operational programs of the Department.

The budget supports total NMCI-specific costs for FY 2007 of approximately $1.7 billion and implementation of 344,000 seats, with a steady state to be reached during FY 2007. As of January 2006, the Navy had placed orders for 341,000 seats and fully implemented approximately 264,000 seats.

## *BUSINESS PROCESS TRANSFORMATION*

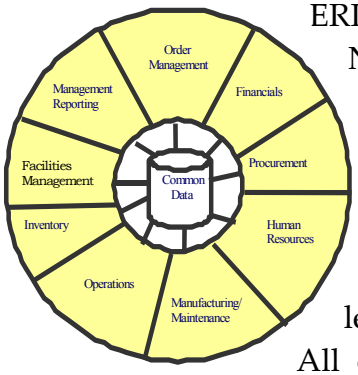
The Department is transforming our people, processes and systems, and are aggressively adopting proven best commercial practices to support our business transformation objectives. Our initiatives will complement each other, resulting in better-controlled, integrated and automated processes that deliver more accurate, reliable, and timely financial management information. This business intelligence will better

relate our resource investments to operational capabilities or outcomes, providing our warfighters and key decision makers with the information they need, when they need it. Our business transformation strategy involves four key elements:

- **Framework:** DoD Business Transformation
- **Cornerstone:** Navy Enterprise Resource Planning (ERP) Program
- **Transition Tool:** Functional Area Management (FAM)/Functional Data Manager (FDM)
- **Integrated Game Plan**: DON Financial Improvement Program (FIP)

**Framework: DoD Business Transformation.** DoD Business Transformation continues to evolve, providing the framework within which our future DON business processes will operate. The centerpiece of this initiative is the Business Enterprise architecture, or BEA. The BEA is a set of rules, standards, and principles guiding selection of future business systems and rationalization of our current systems within an Enterprise Transition Plan (ETP). The BEA emulates best private sector practices and consequently will encourage use of commercial off-the-shelf (COTS) software. Overall direction and approval of efforts are now under the purview of the Defense Business System Management Council (DBSMC), on which the Secretary of Navy sits. Initiatives and enterprise-wide systems will be managed by a Defense Business Systems Acquisition Executive (DBSAE), operating within the Defense Business Transformation Agency (BTA). Two primary financial products of the BTA will be the Standard Financial Information Structure (SFIS), which will be used to relate financial performance to budgets, and the Business Enterprise Information System (BEIS), which will support future financial reporting.

**Cornerstone: Navy Enterprise Resource Planning (ERP) Program.** Using the DoD Transformation framework, we will implement a BEA-compliant ERP as the cornerstone of our future business environment. Navy ERP is the key enabler of the Sea Enterprise vision to transform business processes and generate efficiencies to improve our combat capabilities. ERP is a COTS management system, providing a standard financial backbone and integrating business functional areas across an organization. ERP fosters elimination of redundant legacy systems and the streamlining of business processes. All essential data is entered once into the ERP system and remains accessible to all business process participants on a real-time basis; providing consistent, complete, relevant, timely, and accurate information for decision-making. The Navy ERP will integrate and improve processes for logistics, acquisition, and

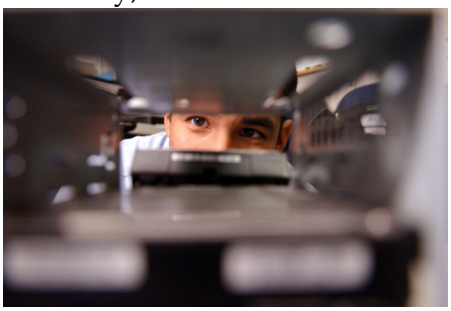


financial operations by providing a template for implementation across the Navy. The first release of the Navy ERP is planned for FY 2007 at the Maritime Regional Maintenance Activities.

**Transition Tool: Functional Area Management (FAM)/Functional Data Manager (FDM).** The DON has embraced portfolio management as a tool to optimally transform our IT environment. The DON's Chief Information Officer, in coordination with the newly established Assistant Chief of Naval Operations for Information Technology, and the Director, Marine Corps Business Enterprise, is utilizing the FAM construct, along with the DON Application and Database Management System (DADMS) IT portfolio management tool, as the mechanism to select the optimal mix of IT investments in achieving required capabilities. Additionally, we plan to transition toward a more comprehensive and integrated business process and systems strategy. Using DADMS as the authoritative repository, the DON has made great progress in the identification of its systems/applications, networks, servers, and databases to better understand its IT environment. Of note, in deciding to establish a similar authoritative repository for the entire DoD, DADMS was selected as the vehicle and now supports the Defense Information Technology Portfolio Repository.

The FAMs are tasked with tallying the inventory of systems, rationalizing those systems using informed business case analysis, and proposing system consolidations to reduce redundancy. As part of this rationalization effort, the FAMs will use the BEA and the future Navy ERP deployment to develop the Department's legacy systems transition plan. This IT capital planning process directly supports development of the DON components of the DoD Enterprise Transition Plan (ETP) and active DON involvement in the DoD Investment Review Board (IRB) process that is governed by the DoD DBSMC.

Similarly, the DON's Functional Data Managers (FDM) has begun identifying the DON's databases and data elements. This process will lead to the declaration of the authoritative data sources and the identification of the Communities of Interest (COI) and data sharing requirements. The FDM process will assist system rationalization, data conversion (to ERP and other end-state systems), and BEA compliance.



**Integrated Game Plan: DON Financial Improvement Program (FIP).** Even as we transform all business processes for long-term installation across the enterprise, we

are clearly focused on continuing near-term improvements in the financial management area. The DON FIP will integrate elements of the initiatives described above, focusing on standardizing and documenting DON business processes and related controls. As business processes are transformed, the FIP will validate that financial statement line items derived from those processes are ready for audit, leveraging the best commercial practices embedded in the software and documenting all business processes - ensuring that acceptable controls are in place.

The DON, in coordination with the Office of the Under Secretary of Defense (Comptroller), has incorporated its FIP into the DoD Financial Improvement and Audit Readiness Plan (FIAR). The FIP Plan is the vehicle by which the DON will identify the steps necessary for measuring progress and ultimately asserting audit readiness. The DON Audit Committee provides executive oversight for the FIP. The Chief Financial Officers (CFO) Act of 1990, as amended by the Government Management Reform Act of 1994, requires executive agencies to produce auditable annual financial statements pursuant to accepted accounting standards. Achieving an unqualified ("clean") audit opinion is not the ultimate goal, however successful execution of the elements of DON Business Process Transformation will result in improved quality and timeliness of financial information, which is the goal. A favorable audit opinion should also be a related outcome.

In summary, the goal of DON's Business Process Transformation is to provide reliable, accurate, and timely business intelligence, supporting resource efficiency and sound business decisions. It will involve building a modern, integrated, automated environment within the DoD architecture, using Navy's ERP as the cornerstone. We will streamline our legacy systems inventory using portfolio management within the FAMs, controlling investments in information technology. Ultimately, a clean audit opinion will validate the transformation's success.

## *NAVY WORKING CAPITAL FUND (NWCF)*

In FY 2007, NWCF activities will continue to play a significant role in the Department's operations, and in the reconstitution of its equipment and supplies used in support of the Global War on Terrorism. The total cost of goods and services to be delivered by NWCF activity groups to their customers in FY 2007 is projected to exceed $25 billion for peacetime operations. NWCF activity groups include Supply Management, Depot Maintenance, Research & Development, Base Support, and Transportation.

In the area of supply management, the Department continues to focus on delivering combat capability through logistics support. Ensuring the right material is provided at the proper place, time and cost is vital to equipping and sustaining our warfighting units. To this end, the Department continues to pursue initiatives to control costs and improve readiness. Until we recapitalize and modernize our forces in volume, our older weapon systems combined with higher utilization rates, will continue to generate increased demand for spare parts. This is one reason the Department's request for material obligation authority remains high.

Spare parts are a single element within a complex and intricately balanced system to keep weapon systems safe and operating at optimal capacity. Towards this goal, the Department needs more robust information systems to collect, process, and share data from other integrated logistics support elements, such as training and maintenance. Hence, the Department continues to fund the Navy Enterprise Resource Planning initiative, which will provide better tools to assess program costs and implement cost reducing procedures. These efforts, along with reducing weapon systems average age, will stem spare parts demand growth and allow the Department to provide improved logistics support at lower cost.

The budget proposes to realign the Norfolk and Portsmouth public shipyards to mission funding beginning in FY 2007 to continue implementation of the Regional Maintenance Plan. A key element of this concept is the consolidation of separate ship maintenance (intermediate and depot maintenance facilities) within a region that results in the ability to best use the total maintenance resources available in the region, share resources between regions, and provide rapid surge capability to respond to Fleet priorities. Mission funding provides the best mechanism by which the Navy can match workforce skills with workload priorities and still meet fiduciary responsibilities. Additionally, the Puget Sound Naval Shipyard pilot prototype test of mission funding ends in FY 2007 as this shipyard permanently transitions to appropriated funding. The Department will provide the required reports on mission funding addressed in the FY 2006 National Defense Authorization Act.

For the Base Support area, FY 2007 is expected to include the addition of 15 new Public Works Center (PWC) detachments across the Continental United States.

These sites are currently independent public works departments under the control of different regional commands. The consolidation of these organizations as PWC detachments is expected to help reduce operating costs and standardize delivery of the various utility commodities and other products.

Transportation rates within the Military Sealift Command (MSC) reflect the full implementation of peacetime force protection costs and cost containment measures to ensure more efficient operations. Activation changes include delivery of three additional T-AKE and two ARS vessels in FY 2007.

Lastly, the Department projects the NWCF cash balance to trend below the seven-day cash level minimum prescribed in the DoD Financial Management Regulation during most of FY 2006 but end the year close to the seven-day level. The lower NWCF cash levels are not due to prior year operating losses, but mostly from the cumulative effect of directed transfers over several years to support the Global War on Terrorism and other operations. As part of the DON Financial Management Strategic Plan business transformation effort, a team is reviewing NWCF cash "as is" forecasting practices in an effort to standardize business processes and tailor cash balances for each NWCF business area.

## *Table 18*

### *Department of the Navy*
### *Summary of NWCF Costs*

*(In Millions of Dollars)*

| **OPERATIONS** | **FY 2005** | **FY 2006** | **FY 2007** |
|---|---|---|---|
| Supply (Obligations) | 5,236 | 7,826 | 8,116 |
| Depot Maintenance - Aircraft | 1,962 | 2,035 | 1,977 |
| Depot Maintenance - Ships | 1,686 | 1,754 | 250 |
| Depot Maintenance - Marine Corps | 463 | 502 | 320 |
| Transportation | 2,003 | 2,177 | 2,117 |
| Research and Development | 10,035 | 10,132 | 10,121 |
| Base Support | 1,694 | 2,230 | 2,332 |
| **TOTAL** | **$23,079** | **$26,656** | **$25,233** |
| **CAPITAL INVESTMENT** | | | |
| Supply | 12 | 15 | 14 |
| Depot Maintenance - Aircraft | 38 | 42 | 42 |
| Depot Maintenance - Ships | 26 | 25 | 0 |
| Depot Maintenance - Marine Corps | 4 | 5 | 5 |
| Transportation | 15 | 28 | 35 |
| Research and Development | 106 | 114 | 113 |
| Base Support | 18 | 19 | 19 |
| **TOTAL** | **$219** | **$248** | **$228** |

# *Managing Risk - Performance Metrics*

The FY 2007 budget consolidates Strategic Planning Guidance objectives and performance management goals of the President's Management Agenda with the 2005 Quadrennial Defense Review goals under a balanced scorecard for risk management and designates metrics the Department of Defense (DoD) will use to track associated performance results. The cascading performance metrics/outcomes for each DoD risk area are shown below:

**FORCE MANAGEMENT RISK**

| | |
|---|---|
| Maintain a Quality Force | Ensure Sustainable Military Tempo and Workforce Satisfaction |
| Maintain Reasonable Force Costs | Shape the Force of the Future |

**OPERATIONAL RISK**

| | |
|---|---|
| Ensuring Force Availability | Maintaining Force Readiness |
| Shaping Force Posture | Linking Contingency Planning to Capabilities and Resources |

**INSTITUTIONAL RISK**

| | |
|---|---|
| Institutionalizing Capabilities-Based Planning, Improving Financial Management, and Driving Acquisition Excellence | Improve the Readiness and Quality of Key Facilities |
| Manage Overhead/ Indirect Cost | Realign Support to the Warfighter |

**FUTURE CHALLENGES RISK**

| | |
|---|---|
| Drive Innovative Joint Operations | Define Human Capital Skills and Competencies |
| Develop More Effective Organizations | Define and Develop Transformational Capabilities |

Performance information developed from these metrics will be used to describe the Department's performance goals and results for all related performance reports, including the President's Management Agenda and the Program Assessment Review Tool. The budget reflects a balance among the four risk areas.

**<u>Force Management Risk</u> - providing a trained and ready force is the leading output or business of the Department of Defense; unlike many other investments the Department makes, investments in our people -- military and civilian -- appreciate in value over time.**

The Department is reducing risk by continuing ongoing efforts to improve force management and reduce stress on the force. One of our most valued resources is the people that support the Navy and Marine Corps team. The Navy and Marine Corps continue to maintain a robust overseas presence and rotational posture in support of the defense strategy. Sailors and Marines are based forward and deploy as part of their inherent responsibilities. They join and re-enlist with the understanding that this is part and parcel of their commitment to serve. The Navy continues to budget for fewer military strength in FY 2007 and is confident that this budget supports proper sizing of force and all assigned missions can be accomplished with this level as a result of force structure changes, efficiencies gained through technology, altering the workforce mix, and new manning practices. QDR 2005 reiterated the commitment to developing the best mix of people who are equipped with the right skill-sets across the total force of active and reserve military and civilian personnel. The Department continues to explore new manning practices and workforce balance options, including military to civilian conversions. We also continue to focus on recruiting and retaining the right people, and we are encouraged by the increased quality of sailors being sent to the fleet. We are moving toward a capability-based workforce focused on the competency necessary to support our expanding role in the Global War on Terror, Homeland Defense, and stability operations. We will link and leverage Sea Warrior and National Security Personnel System processes to achieve a personnel architecture that rewards performance and can quickly respond to demands.

The National Security Personnel System (NSPS) authorized by Congress provides DoD leaders the right tools to manage the civilian workforce today and for the future. The NSPS reforms will provide supervisors and managers greater flexibility in managing our civil service employees, facilitate competition for high quality talent, offer compensation competitive with the private sector, and reward outstanding service. The DON will participate in the first group of conversions to NSPS, Spiral 1.1, and we will work closely within DoD to ensure we meet this aggressive timeline.

**<u>Operational Risk</u> - ensuring U.S. military and civilian personnel are ready at all times to accomplish the range of missions assigned in the defense strategy is the leading defense customer priority.**

The Department continues to reduce risk by emphasizing capabilities that better address irregular, catastrophic and disruptive challenges. This includes winning the Global War on Terrorism, enhancing capabilities to conduct stability operations, and improving homeland defense. The power of our combat capability has been strong in the areas of forward presence forces and our ability to surge. In concert with the QDR 2005, the Department continues to sustain a superb level of readiness to deliver exactly the right combat capabilities – access, speed, agility, adaptability, persistence, awareness, and lethality – for exactly the right cost. Key readiness accounts are funded to ensure that our forces are prepared to meet any tasking. The Fleet Response Plan enables the Fleet to be forward deployed and also capable of surging substantial forces. Deployed air/ship/Marine Expeditionary Force operations are budgeted to maintain highly ready forces. Non-deployed OPTEMPO levels primarily provide training of fleet units but maintain a combat ready and rapidly deployable force. This budget request incorporates force structure changes that clearly reflect the wider range of operations and contingencies called for in the defense strategy. This budget reflects decommissioning of some older ships and aircraft with high operations and support costs relative to the combat capability they provide. Funding continues for the 4th Marine Expeditionary Brigade (AT) to detect, deter, defend, and conduct initial incident response to combat the threat of terrorism and continues the fielding of improved combat equipment.

**<u>Future Challenges Risk</u> - anticipating future threats and adjusting capabilities to maintain a military advantage against them is the leading learning and growth priority for the Department of Defense.**

The Department is balancing risk by moving through a generational shift in our weapons acquisition programs. We continue to focus on shifting to next generation surface combatants and sea basing capabilities. The total number of new ships procured over the FYDP is 51, averaging 10.2 ships per year including the DD(X), the Littoral Combat Ship (LCS), VIRGINIA Class SSN, CVN-21, CG(X), LPD-17, and LHA(R). The budget also reflects a growing investment in naval aviation, replacing over worked and out dated aircraft with more capable and cost effective platforms.
The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement for the F/A-18E/F and EA-18G, the E-2C, the MH-60S/R, and the KC-130J programs. Funding continues for development of FORCEnet, an architecture that will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare systems. The Department is maintaining a steady investment while seeking to maximize the yield, relevance, and degree of innovation in the overall Science and Technology program.

**<u>Institutional Risk</u> - ensuring that DoD financial, acquisition, and resource management processes are streamlined and efficient is what drives the underlying financial principles of doing defense business; just as the Department transforms its operational capabilities, it must also reform its underlying support structures to be more efficient and exploit creative technology solutions.**

The Department is reducing risk by emphasizing implementation of capabilities-based planning. This budget request represents the Department's commitment to improve the acquisition processes, make facility structure more efficient, and better manage resources for improved business. In an effort to improve shore installation effectiveness, the Navy has identified best business practices, set Navy-wide standards of service, developed metrics, and linked standards and metrics to required readiness levels. We continue to transform business processes and develop integrated enterprise solutions.

The Navy Marine Corps Intranet and Enterprise Resource Planning are examples of innovative changes that will significantly improve connectivity, financial and business reporting, and management performance. Through the Functional Area Management/Functional Data Management construct, the Department is preparing transition plans and data conversions for future ERP deployment. As a Department, we continue to aggressively challenge our Systems Commands and other shore activities to improve processes, find efficiencies, and eliminate legacy information systems.

The information below provides page references to the performance information contained in this document and in detailed budget justification materials supporting the FY 2007 budget submission.

| Risk Category | Strategic Goal | Performance Measure | Page # |
|---|---|---|---|
| Force Management Risk | Maintain a Quality Force | Number of Recruiters | 3-3, 3-6 |
| | | Number of Recruits | 3-3, 3-6 |
| | | Size of Delayed Entry Program | 3-3, 3-6 |
| | | Enlisted Attrition Rates | 3-4, 3-7 |
| | Ensure Sustainable Military Tempo | Ships Deployed | 2-8 |
| | | MEUs deployed | 2-8 |
| | | Ships Underway | 2-8 |
| | | MEUs predeployment | 2-8 |
| | | Active/Reserve Navy/Marine Corps Strength | 3-4, 3-5, 3-6, 3-7, 3-8 |
| | | Number of Reserves Activated | 2-8 |
| | | Number of Deployed Sailors | 2-8 |
| | | Number of Deployed Marines | 2-8 |

| | | | |
|---|---|---|---|
| | Maintain Workforce Satisfaction | PERSTEMPO | 3-2 |
| | | Enlisted Reenlistment Rates | 3-4, 3-7 |
| | | Career Pay Enhancements | 3-2 |
| | Maintain Reasonable Force Costs | Competitive sourcing study positions | 3-10 |
| | | Civilian manpower levels | 3-9, 3-11 |
| | | Costs for Accession/Basic Skills/Advanced Training | 3-2 |
| | | Total Paid Compensation | 3-1 |
| | Shape the Force of the Future | Implement optimized, supportable, future force structure and workforce | 3-1 |
| **Institutional Risk** | Streamline Decision Processes, Drive Financial Management and Acquisition Excellence | Implement Enterprise Resource Planning | 4-9 |
| | | DON Financial Improvement Plan (DON FIP) | 4-10 |
| | | Number of Navy Marine Corps Intranet Seats | 4-11 |
| | Manage Overhead and Indirect Costs | Reduction in base structure to eliminate unnecessary infrastructure | 4-1, 4-2 |
| | Improve the Readiness and Quality of Key Facilities | 67 Year FSRM Recapitalization Rate | 4-7 |
| | | Reliability & Maintainability Shortfall | 4-7 |
| | | Inadequate family housing units | 4-6 |
| | | Number of Privatization Projects | 4-6 |
| | | Readiness status of facilities | 4-6, 4-7 |
| | Realign Support to the Warfighter (including Defense Agencies) | Tooth-to-Tail Ratio | 1-5 |
| **Operational Risk** | Do We Have the Forces Available? | Battle Force Ships | 2-9 |
| | | Active Air Wings | 2-16 |
| | | Active Primary Authorized Aircraft (PAA) | 2-16 |
| | | Number of Marine Expeditionary Forces | 2-22 |
| | | Number of Marine Expeditionary Brigades | 2-22 |
| | | Number of Marine Battalions | 2-22 |
| | Are They Currently Ready? | Navy/Marine Corps Personnel Readiness Ratings | 3-2, 3-6 |
| | | Active Flying Hours T-Rating | 2-17 |
| | | Active Steaming Days Per Quarter | 2-9 |
| | What Are Our Critical Force, Sustainment, and Infrastructure Needs? | Aircraft Mission Capable Rates | 2-19 |
| | | Airframe Availability/PAA | 2-20 |
| | | Aircraft Engine Bare Firewalls | 2-20 |
| | | Aircraft Engine Spares Ready-to-Issue | 2-20 |
| | | Ship Maintenance % Rqmnt Funded | 2-14 |
| | | Surge Sealift Ships and Capacity | 2-12 |
| | | Prepositioning Ships and Capacity | 2-12 |
| | | Reserve Steaming Days Per Quarter | 2-11 |
| | | Reserve Battle Force Ships | 2-11 |
| | | Reserve Air Wings | 2-16 |
| | | Reserve Flying Hours T-Rating | 2-18 |
| | | Reserve Primary Authorized Aircraft | 2-16 |

| | | | |
|---|---|---|---|
| | Are We Successfully Executing our Strategy? | Deferred Ship Maintenance | 2-14 |
| | | Deferred FSRM | 4-7 |
| | | Ships Deployed | 2-8 |
| | | MEUs Deployed | 2-8 |
| | | Ships Underway | 2-8 |
| | | MEUs Predeployment | 2-8 |
| | | Active/Reserve Navy/Marine Corps Strength | 3-4, 3-5, 3-6, 3-7, 3-8 |
| **Future Challenges Risk** | Drive Innovative Joint Operations | Joint/International Exercises | 2-8 |
| | Develop More Effective Organizations | Capitalizing on innovation, experimentation, and technology | 5-1 |
| | Define Skills and Competencies for the Future | Implementing Sea Warrior Initiative | 3-3 |
| | Define and Develop Transformational Capabilities | Implement enhanced naval capabilities to project offense, project defense, and project sovereignty around the globe | 1-4 |
| | | Aviation Procurement Plan | 5-7 |
| | | Ship Construction Plan | 5-3 |
| | | Aviation/Ship Weapons Quantities | 5-4, 5-8 |
| | | Marine Corps Ground Equipment Quantities | 5-12 |
| | | Implement Network Centric Warfare | 5-10, 5-11 |
| | | Major Platform R&D | 5-16 |
| | | Maintain Balanced and Focused Science and Technology | 5-16 |
| | | Funding for R&D support | 5-16 |

## *Other Performance Metrics*

Throughout the overview book metrics have been addressed which are included in our performance plan and provide a measure of our overall effectiveness. Within the Department of the Navy, goals and objectives have been implemented through the Planning, Programming, Budgeting, and Execution System (PPBES) process. PPBES accommodates the integration of operational goals, risk management, and performance across the broad spectrum of Department of the Navy missions. These metrics are also contained in budget justification materials supporting the FY 2007 budget request as directed by Congress.

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# SECTION V - CHANGING THE WAY WE FIGHT

The Department is increasing investment accounts and will continue to acquire transformational capabilities. Our future Navy will consist of ships with more speed, persistence, precision, and reach. The FY 2007 shipbuilding program embodies this transformation. From platforms now beginning delivery to those beginning design and construction, like DD(X), every ship is designed for 21st century Naval operations. Similarly, we are producing seven new design aircraft. The aircraft procurement plan emphasizes replacing legacy platforms that are becoming increasingly costly to operate with more efficient and capable integrated systems. This is a sweeping shift to newer, more capable platforms, outfitted with more capable systems.

## SHIP PROGRAMS

### Surface Programs

The Department's FY 2007 budget continues to address acquisition, modernization, and recapitalization of the world's preeminent surface fleet. Continuing to integrate emerging technologies, the Navy will ensure that tomorrow's fleet will remain on the cutting edge. FY 2007 will continue the shift to next generation warships.

CVN-21 will be the future centerpiece of the carrier strike group. It will have a new electrical generation and distribution system, an electromagnetic aircraft launching system, a new/enlarged flight deck, weapons, and material handling improvements, and a smaller crew and air wing (by at least 1000). The budget continues advance procurement funding for construction of CVN-21, which starts in FY 2008.

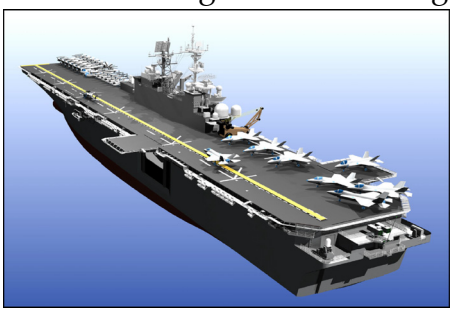
DD(X) will play a key role in the *Sea Power 21* strategic concept. Winning the fight requires the ability to assure access and enable maneuver warfare. DD(X) will be a multi-mission surface combatant and will be the precision strike and volume fires provider within the family of surface combatants. It will provide credible forward presence while operating independently or as an integral part of naval, joint, or combined expeditionary forces. Armed with an array of land attack weapons, DD(X) will provide

offensive, distributed, and precision firepower at long ranges in support of forces ashore. The FY 2007 budget provides the first of two increments of funding to support dual lead ship detail design and construction contract awards in FY 2007.

Another critical component of *Sea Power 21* is the Littoral Combat Ship (LCS). LCS will be a fast, agile, stealthy, relatively small, and affordable surface combatant capable of operating against anti-access, asymmetric threats in the littorals. The primary mission areas of LCS are small boat prosecution, mine counter measures, shallow water anti-submarine warfare, intelligence, surveillance, and reconnaissance. Secondary missions include homeland defense, maritime intercept, and special operations forces support. It will operate in environments where it is impractical to employ larger multi-mission ships. Construction of both LCS flight 0 designs is in progress. Congress added two LCS ships in FY 2006 and the Department budgeted for two more LCS in FY 2007. Procurement of two mission packages is also planned in FY 2007.

The restructured Guided Missile Cruiser (CG-47) modernization program supports modernization of the older Baseline 2 and 3 ships first. Funding continues in FY 2007 for long lead-time procurements for the Baseline 2 modernization availabilities in FY 2008 and 2009.

The FY 2007 budget provides the first of two increments of funding for the Landing Helicopter Assault Replacement Ship (LHA(R)). Flight 0 will be procured in FY 2007, and additional funding is planned for RDTEN efforts in support of a LHA(R) Flight 1 procurement in FY 2010.



The budget provides for procurement of one Auxiliary Cargo and Ammunition Ship (T-AKE) in the National Defense Sealift Fund (NDSF). This will be the tenth ship of the class. The NDSF budget also includes funding for the development of future seabasing ships, and for the purchase of one Maritime Prepositioning Ship, which is currently under charter, and continues development of future seabasing ships. The Maritime Prepositioning Force (Future) (MPF(F)) squadron of ships, a central part of the Sea Base operational concept, leverages current designs and production lines where possible, such as T-AKE variant ships, modified Large, Medium Speed Roll-On/Roll-Off (LMSR) ships and LHA(R) ships. MPF(F) new construction commences in FY

2009 and includes one T-AKE variant and one Mobile Landing Platform (MLP). MPF(F) ships will be interoperable with current and planned Landing Craft Air Cushion (LCAC) craft and Joint High Speed Vessels (intratheater connectors).

The LCAC modernization program continues with a service life extension for six craft in FY 2007. The budget request includes RDTEN funding in FY 2007 for transformational Sea Base to Shore and Intratheater connectors to support Seabasing.

The FY 2007 budget also provides the second increment of funding for the CVN 70 Refueling Complex Overhaul.

Chart 15 displays shipbuilding quantities for FY 2006 to FY 2011.

### *Chart 15 - Shipbuilding Programs*

| | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY07-11 |
|---|---|---|---|---|---|---|---|
| CVN 21 | - | - | 1 | - | - | - | 1 |
| SSN 774 | 1 | 1 | 1 | 1 | 1 | 1 | 5 |
| DD(X) | - | 2 | - | 1 | 1 | 1 | 5 |
| CG(X) | - | - | - | - | - | 1 | 1 |
| LCS | 3 | 2 | 3 | 6 | 6 | 6 | 23 |
| LPD 17 | 1 | - | 1 | - | - | - | 1 |
| LHA(R) | - | 1 | - | - | 1 | - | 2 |
| T-AKE | 1 | 1 | 1 | 1 | 1 | 1 | 5 |
| MPF Aviation | - | - | - | - | - | 1 | 1 |
| MPF LMSR | - | - | - | - | 1 | 1 | 2 |
| MPF MLP | - | - | - | 1 | - | 1 | 2 |
| Intratheater Connectors | - | - | - | 1 | 1 | 1 | 3 |
| New Construction | 6 | 7 | 7 | 11 | 12 | 14 | 51 |
| | | | | | | | |
| Sea-Shore Connectors | - | - | - | - | 1 | 4 | 5 |
| SSBN ERO | 1 | 1 | 1 | 1 | 1 | 1 | 5 |
| SSN ERO | - | - | 1 | - | - | - | 1 |
| RCOH | 1 | - | - | - | 1 | - | 1 |

## *Submarine Programs*

The Navy will continue to project power covertly with a fleet of modern SSN-688, SSGN, *Seawolf*, *Virginia* class, and *Trident* submarines. Their firepower, stealth, sensors, and communications equipment will enable submarines to act as force multipliers. This budget includes the continuing effort to modernize the submarine fleet with the latest technology ensuring the viability of these critical ships while, at the same time, continuing to replace aging fast attack submarines with the new *Virginia* class. Construction of *Virginia* class submarines is performed under a

teaming arrangement with General Dynamics and Northrop Grumman Newport News Shipbuilding Company. FY 2007 funds the fourth of five submarines under a multi-year procurement contract awarded in January 2004. The FY 2007 budget also provides funds for one SSBN Engineered Refueling Overhaul.

## *Ship Weapons Programs*

The Standard Missile program replaces ineffective, obsolete inventories with the more capable Block IIIB missiles. The Rolling Airframe Missile (RAM) program continues procurement of the improved Guided Missile Launching System and the upgraded Block I missile, providing an enhanced guidance capability along with a helicopter, air, and surface mode. In addition to Standard Missile and RAM, the FY 2007 budget provides funding to continue production of the Evolved Sea Sparrow Missile (ESSM). Additionally, the Tactical Tomahawk missile continues full rate production in FY 2007 via multi-year procurement.

**Major Weapons Quantities**

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|---|---|
| Tactical Tomahawk | 298 | 408 | 350 | 421 | 366 | 377 | 363 |
| Standard Missile | 75 | 75 | 75 | 75 | 90 | 100 | 105 |
| RAM | 86 | 90 | 90 | 90 | 90 | 90 | 90 |
| ESSM | 71 | 116 | 108 | 108 | 108 | 21 | - |

Several land attack research and development efforts critical to future littoral warfare continue in FY 2007, including an extended range munition, the 5”/62 gun, the Advanced Gun System (AGS), the Naval Fires Control System (NFCS), and the Distributed Common Ground System (DCGS). The AGS will provide the next generation of surface combatants with a modular large caliber gun system including an automated magazine handling system. The NFCS and DCGS will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.

# *AVIATION PROGRAMS*

## *Aircraft Programs*

The Department's FY 2007 budget sustains aviation superiority for the Navy and Marine Corps and emphasizes capability based investment strategies, new warfighting concepts, and enabling technologies. The budget continues to maximize the return on procurement dollars, primarily through the use of multi-year procurement contracts for the F/A-18E/F and EA-18G (both airframe and engine), E-2C, UH-60M/MH-60R/MH-60S airframe (with the Army), MH-60 R/S common cockpit, MH-60R mission system and USMC KC-130J. The Department continues to implement the Tactical Air integration plan to reduce the number of new aircraft needed. Robust development funding is also provided for Joint Strike Fighter (JSF), MV-22, EA-18G, Multi-Mission Maritime Aircraft (MMA), Advanced Hawkeye, CH-53X (Marine Corps heavy lift replacement), and Executive Transport Helicopter (VXX).

The F/A-18E/F continues to be the centerpiece of Navy combat aviation. Enhanced warfighting capability investments for the F/A-18E/F introduce a transformational radar, helmet-mounted sight, advanced targeting pod, and fully integrated weapons system. The FY 2007 budget includes funding for 12 EA-18Gs, the follow-on to the EA-6B Electronic Attack aircraft.

The Department will continue to procure AH-1Z/UH-1Y attack and utility helicopters. These aircraft will provide numerous capability improvements for the Marine Corps, including increased payload, range, and time on station, improved sensors and lethality, and 84 percent component commonality. Both aircraft will also incorporate common, modernized, and fully integrated cockpits/avionics that will reduce operator workload, and improve situational awareness and safety.

The MH-60R and MH-60S multi-mission helicopters are the cornerstone of the Navy helicopter concept of operations and provide a continuous shield of protection for carrier strike groups and expeditionary strike groups. The MH-60S Armed Helicopter Enhancement, including Hellfire missiles, assures forward deployed force protection and small-boat/terrorist engagement capability.

The Department continues to support the legacy P-3 fleet and develop the MMA to ensure current and future maritime patrol capabilities are met. The Department continues to fund the Special Structural Inspection Kit program, which provides pre-emptive replacement of P-3 wing components and extends aircraft service life a minimum of 5,000 flight hours. Additionally, FY 2007 RDT&E,N funding for MMA will help ensure the Initial Operating Capability of FY 2013 will be met.

The Aerial Common Sensor (ACS), the EP-3E replacement capability, was a joint development program with the Army to provide a transformational multi-intelligence platform. Due to developmental delays, the Army's ACS contract was terminated in December 2005. The FY 2007 budget will focus instead on sustainment of the EP-3E until alternatives are developed and fielded.

Joint aircraft programs continue to be an important component of the naval acquisition strategy, with the JSF continuing in the Systems Development and Demonstration phase. The Department resumes full- scale procurement of the Joint Primary Aircraft Training System (JPATS), a joint Navy-Air Force program, in FY 2007. This follows a "strategic pause" from FY 2002 to FY 2006, which allowed the Navy to optimize remaining service life on T-34C aircraft and fund more urgent competing requirements. The T-6A Texan II is the aircraft designed to replace the Navy T-34 and Air Force T-37 fleet currently being used as the primary flight trainer for entry-level Naval and Air Force student pilots. The joint V-22 program continues with the procurement of both the MV and CV models. The V-22 program is designed to meet the amphibious/vertical assault needs of the Marine Corps and the fleet logistics, special warfare and strike rescue needs of the Navy, and to supplement United States Special Operations Command special mission aircraft.

Continuing the emphasis on transformational systems, the Department has budgeted research and development funding for several aviation programs. The Advanced Hawkeye is funded through the FYDP with the first production in FY 2008. A fully automated digital engine control and improved generators have been incorporated to improve performance and reliability. Additionally, the Department has included funding to support procurement of required capabilities in the fleet, such as Advanced Targeting Forward Looking Infra-Red, Joint Helmet Mounted

Cueing Systems, and Tactical Aircraft Directed Infrared Countermeasure systems (TADIRCM), which the Department is developing with the Army. TADIRCM will be used on fixed and rotary wing aircraft to defeat air-to-air, surface-to-air, and Man Portable Air Defense missiles. The development of the VXX, the replacement for the legacy Presidential helicopter fleet, and the CH-53X, the Marine Corps heavy lift replacement, continues in FY 2007.

The FY 2007 budget continues to demonstrate the Department's commitment to developing, acquiring, and fielding transformational Unmanned Aerial Vehicle (UAV) technologies for intelligence, surveillance, reconnaissance, and tactical missions. The budget includes funding for the Broad Area Maritime Surveillance (BAMS) UAV and a Vertical Take Off and Landing UAV (VTUAV) for deployment on LCS ships.

Chart 16 displays the Department's new production and remanufactured aircraft programs for FY 2006 - FY 2011.

## *Chart 16 - Aircraft Programs*

| | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY07-11 |
|---|---|---|---|---|---|---|---|
| JSF | - | - | 8 | 32 | 36 | 33 | 109 |
| F/A-18E/F | 38 | 30 | 24 | 20 | 22 | 14 | 110 |
| EA-18G | 4 | 12 | 18 | 22 | 20 | 10 | 82 |
| MV-22 | 9 | 14 | 19 | 31 | 35 | 37 | 136 |
| AH-1Z/UH-1Y | 10 | 18 | 19 | 23 | 23 | 23 | 106 |
| MH-60S | 26 | 18 | 20 | 26 | 26 | 26 | 116 |
| MH-60R | 12 | 25 | 25 | 31 | 32 | 31 | 144 |
| E-2C | 2 | 2 | - | - | - | - | 2 |
| E-2D | - | - | 4 | 4 | 4 | 4 | 16 |
| CH-53X | - | - | - | - | 2 | 2 | 4 |
| MMA | - | - | 4 | - | 6 | 8 | 18 |
| C-40 | - | - | - | 5 | 1 | 1 | 7 |
| C-37 | - | - | - | - | - | 1 | 1 |
| T-45 | 6 | 12 | - | - | - | - | 12 |
| JPATS | 3 | 21 | 48 | 48 | 48 | 48 | 213 |
| KC-130J | 5 | 4 | 4 | - | - | - | 8 |
| V-XX | 5 | - | 3 | 4 | 3 | 4 | 14 |
| BAMS UAV | - | - | - | - | - | 4 | 4 |
| VTUAV | 5 | 4 | 7 | 11 | 11 | 10 | 43 |
| F-5E | 9 | 5 | - | - | - | - | 5 |
| TOTAL | 134 | 165 | 203 | 257 | 269 | 256 | 1,150 |

*Funded in RDTEN*

Within our aircraft modifications program, we continue emphasis on safety as well as key operational improvements. The FY 2007 budget includes funding for procurement of the AV-8B Open System Core Avionics Requirements program to update obsolete avionics, the F/A-18 Radar Upgrade, and various structural and safety improvements. Funding is provided for H-53 engine and aircraft sustainment to ensure the H-53 fleet will continue to meet operational requirements until the CH-53X replaces the legacy fleet. Funding is also provided for the P-3/EP-3 Update III Common Configuration program, and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

## *Aircraft Weapons Programs*

The employment of precision-guided munitions during Operation Enduring Freedom and Operation Iraqi Freedom demonstrated all weather, day and night, precision strike delivered well inland on demand. The FY 2007 budget continues to procure the M82 variant of the Joint Direct Attack Munition (JDAM) and includes procurement of unguided bombs to support deliveries of JDAM and Laser Guided Bomb precision guidance kits. The FY 2007 budget also focuses on production of the Joint Standoff Weapon (JSOW) breaching variant.

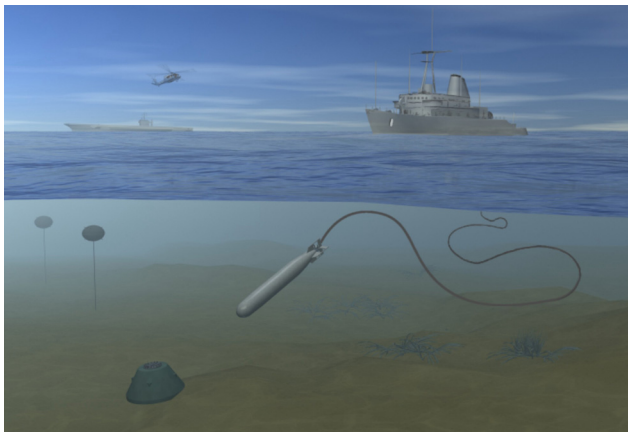
| Major Aviation Weapons Quantities | | | | | | | |
|---|---|---|---|---|---|---|---|
| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
| JSOW | 405 | 420 | 397 | 421 | 504 | 521 | 546 |
| AIM-9X | 135 | 159 | 174 | 107 | 120 | 114 | 122 |
| JDAM | 6,930 | 3,400 | 3,400 | 1,500 | 1,500 | 1,500 | 1,500 |
| AMRAAM | 37 | 85 | 150 | 140 | 150 | 150 | 150 |

The AIM-9X (Sidewinder) missile continues to provide short-range air-to-air superiority. The Department continues the procurement of the Advanced Medium Range Air-to-Air Missile (AMRAAM), the next generation, all weather, all environment, radar guided missile for air defense.


| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Aircraft Procurement, Navy | A–10 |
| Weapons Procurement, Navy | A–11 |
| Procurement of Ammunition, Navy and Marine Corps | A–15 |
| Research, Development, Test and Evaluation, Navy | A–16 |

# *MINE WARFARE*

The FY 2007 budget includes funding for an organic mine warfare capability while maintaining a potent and dedicated Mine Countermeasure force. The FY 2007 budget continues the development and integration of the Airborne Mine Countermeasures (MCM) systems. The AMCM program includes the Airborne Laser Mine Detection System (ALMDS, IOC of FY 2008), Organic Airborne and Surface Influence Sweep system (OASIS, IOC of FY 2009), Airborne Mine Neutralization System (AMNS, IOC of FY 2009), and Rapid Airborne Mine Clearance System (RAMICS, IOC of FY 2010). Funding is also included for development of a single common console for all AMCM systems to establish a fully integrated mid-term organic mine warfare capability on the MH-60S helicopter. These key organic systems will make up the mine warfare mission modules slated for use on the LCS.



The FY 2007 budget continues to support the Assault Breaching System, a family of systems in development to counter the mine and obstacle threat in the beach and surf zones. As a part of this family of systems, the Coastal Battlefield Reconnaissance and Analysis (COBRA) system, a UAV and payload ground processing station, will conduct tactical reconnaissance using multi-spectral imaging for detection of mine fields, obstacles, and camouflaged defenses in the surf zone and inland.

| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Weapons Procurement, Navy | A–11 |
| Other Procurement, Navy | A–13 |
| Research, Development, Test and Evaluation, Navy | A–16 |

# *C4I PROGRAMS*

The Navy's Command, Control, Communication, Computers, and Intelligence (C4I) programs represent the backbone of the combat capability of naval forces. The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a "Sensor-to-Shooter" emphasis; and information/command and control warfare. Central to this is the continued development of FORCEnet in the FY 2007 budget. FORCEnet is the cornerstone architecture that will integrate sensors, networks, decision aids, and weapons into an adaptive human control maritime system in order to achieve dominance across all warfare spectrums.

A central theme continuing to shape the Navy's budget for C4I programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 provides the common backbone for C4I systems to be linked afloat and to the Internet. The

networks integrate afloat tactical operations and tactical support applications with enhanced satellite systems and ashore networks. FY 2007 funding continues to provide Integrated Shipboard Network Systems (Increment 1) procurement and installation to achieve a Full Operational Capability (FOC) for all platforms by FY 2011. IT-21 connectivity is critical because it provides the managed bandwidth for timely transmission of information. The Satellite Communications Systems program continues expansion of available bandwidth to the warfighter.

FY 2007 funding reflects the continued development and procurement of the Advanced Narrowband System/Mobile User Objective Systems (ANS/MUOS), leading to an Initial Operational Capability (IOC) in FY 2010 and FOC in FY 2014. ANS/MUOS will provide the DoD's Ultra High Frequency satellite communication capability for the 21st century.

FY 2007 funding will continue the development of Advanced Extremely High Frequency terminals that support Air Force's Advanced Wideband System satellite program to meet an IOC in FY 2012 and FOC in FY 2015.

Funding in FY 2007 also continues the procurement and installation of 525 kilohertz UHF modems, Super High Frequency terminals, and provides for upgraded power distribution and enhanced connectivity "drops" accomplished during equipment installations.

The "Sensor-to-Shooter" concept, which is increasingly critical in the Joint arena, focuses on the process of putting a weapon on target using all available sensor data. Funding continues in FY 2007 for the Advanced Tactical Data Links system, ensuring timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks.

Information Warfare/Command and Control Warfare is the integrated use of operations security, military deception, psychological operations, electronic warfare, and physical destruction to deny information to, influence, degrade, or destroy an adversary's C2 capabilities against such actions. FY 2007 funding provides for the procurement of Common Data Link - Navy systems and continues funding for the Maritime Cryptologic Systems for the 21st Century. In the Information Systems Security Program, FY 2007 funds the procurement of Mission Critical Secure Voice (SV-21) Interworking Function and SV-21 crypto to support the Gateway transfer for SATCOM transmission. FY 2007 funding also continues to provide cryptologic equipment and secure communications equipment for Navy ships, shore sites, aircraft, Marine Corps and Coast Guard.


| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Other Procurement, Navy | A–13 |
| Procurement, Marine Corps | A–14 |


## *MARINE CORPS GROUND EQUIPMENT*

This category of our budget supports the development and fielding of all equipment used by Marine Corps ground forces. These programs modernize existing capabilities; some will help provide truly transformational methods that the Marine Corps will bring to future conflicts.

Modernization efforts contained within the FY 2007 budget reflect several major replacement and upgrade programs, both new and continuing. Included are the High Mobility Multi-Purpose Wheeled Vehicle (HMMWV) and the Light Armored Vehicle Product Improvement Program (LAV PIP). The LAV PIP ensures that LAV combat capabilities will be preserved through FY 2015.

This budget includes initial procurement of the transformational Expeditionary Fighting Vehicle (EFV), the successor to the current amphibious vehicle, the Assault Amphibious Vehicle Model 7A1. The EFV will allow immediate high-speed surface maneuver by Marine infantry units as they are off-loaded by ships located beyond the enemy's visual horizon. Low-Rate Initial Production begins in FY 2007 and will start delivery in FY 2008. Initial Operational Capability will be reached in FY 2010 and Full Operational Capability in 2020.

Critical to Marine Corps transformation efforts, the Lightweight 155mm Howitzer (LW-155) will provide significant improvements over the current M198 system. Its lighter weight and increased lethality will allow for rapid deployment and improved accuracy. The LW-155 is compatible with all U.S. and NATO 155mm rounds, and its smaller footprint reduces the strategic sealift required. The FY 2007 budget continues procurement of the LW-155 on a multiyear procurement contract jointly with the Army.

Another transformational program, the High Mobility Artillery Rocket System (HIMARS), is also a joint Army-Marine Corps program. HIMARS is a C-130 transportable, wheeled, indirect fire weapon system with a range of 30 to 60 km, thus providing a major improvement in area fire support. Launcher production is complete in FY 2007.

Procurement of Assault Breaching Vehicles (ABVs) is completed in FY 2006, with procurement of ancillary equipment continuing in FY 2007. The ABV provides the ability to breach minefields and clear complex obstacles while keeping pace with the maneuver force and providing exceptional crew protection and survivability. Additionally, the ABV uses a rebuilt and upgraded M1 tank chassis, affording the economic advantages of commonality with the M1A1 tank fleet.

**Major Marine Corps Ground Equipment Procurement Quantities**

| | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|---|---|---|---|---|---|---|---|
| HMMWV | 3,611 | 2,763 | 851 | 596 | 1,211 | 1,143 | 1,095 |
| EFV | - | - | 15 | 17 | 26 | 42 | 100 |
| LW155 | 106 | 75 | 34 | 47 | - | - | - |
| HIMARS | 1 | 18 | 6 | - | - | - | - |
| ABV | 4 | 18 | - | - | - | - | - |

**Also refer to Appendix A for more information:** **Table**
Procurement, Marine Corps A–14
Procurement of Ammunition, Navy and Marine Corps A–15
Research, Development, Test and Evaluation, Navy A–16

# RESEARCH AND DEVELOPMENT SUPPORT

## Processes for Innovation

Sea Trial is the Navy process of integrating emergent concepts and technologies, leading to continuous improvements in warfighting effectiveness and a sustained commitment to innovation. It is based on the mutually reinforcing mechanisms of technology push, concept pull, and spiral development. It puts the Fleet at the heart of innovation and provides a mechanism to more readily capture the fruits of their operational excellence and experimentation.

Led by the Naval Warfare Development Command (NWDC), Sea Trial is designed to constantly survey the changing frontier of technological development, identifying those candidates with the greatest potential to provide dramatic increases in warfighting capability. The result is a process that discovers and aligns emergent technologies to deliver next-generation equipment. Following the warfighters' lead, supporting centers for concept development propose innovative operational concepts to address emergent conditions. A basic premise is that new capabilities must be delivered to the Fleet quickly and efficiently. To retain technological superiority, we are shifting to spiral development. Under the spiral development philosophy, systems are designed to receive technological updates at regular intervals without disrupting production or performance. A primary goal of Sea Trial is to more fully integrate the technological and conceptual centers of excellence in the Systems Commands and elsewhere, along with testing and evaluation centers, so that their combined efforts result in significant advancements in deployed combat capability. Working closely with the Fleet, technology development centers, Systems Commands, warfare centers, and academic resources, NWDC will continue to align wargaming, experimentation, and exercise events so that they optimally support the development of transformational concepts and technologies.

The FY 2007 budget continues to finance Marine Corps led experimentation with future tactics, concepts, and innovations involving both Marine and Navy forces. The Marine Corps Warfighting Laboratory is the centerpiece for operational reform in the Marine Corps, investigating new and potentially valuable technologies, and evaluating their impact on how the Marine Corps organizes, equips, and trains to fight in the future. Examples of such efforts include work on command post

systems, command and control shared data environments, landing force technologies, defeat of improvised explosive devices, and assault vehicles. In addition, the budget continues to finance Non-Lethal Weapons research and development - a program for which the Marine Corps serves as the executive agent. In the FY 2007 budget, we seek to leverage developing and emerging technologies that have applications across the spectrum of warfare, giving the Marine Corps the versatility to tackle any mission it may confront in an ever-changing world environment.

## *Science and Technology*

Technology will never substitute for presence; rather it should always address a mission requirement of making Naval Forces more effective. The fiscal year 2007 Budget requests $1.6 billion for a Science & Technology (S&T) portfolio designed to provide the best scientific research and technology in the shortest time to maximize the benefit to our Sailors and Marines.

The Department pursues an integrated and comprehensive S&T program, from basic research through manufacturing technology. Programs emphasize integrating basic research with applied science and technology, promoting the effective and expeditious transition of discovery and invention into real-world applications. Moreover, "transition" has become of utmost importance, as the success of S&T is not measured simply by the basic science it supports, but also by the active and successful transition of that science to supporting America's Sailors and Marines in the field: discovery and invention as well as exploitation and deployment of advanced technologies for the nation's Naval warfighters.

At the basic research end of the spectrum, investigations are focused on scientific and technical disciplines—ocean sciences, materials, electronics, mathematics, physics, chemistry, medicine, and others—and on discovering and understanding new phenomena that hold promise for future application in the Navy and Marine Corps-after-Next. Special emphasis is placed on those technologies that are uniquely naval and maritime and usually of interest primarily to the sea services, or those that leverage applicable naval disciplines in conjunction with the rest of America's basic research establishment. The Department recognizes and meets its obligation to support and maintain coordinated national programs in these areas of such vital importance to the Naval services.

Efforts on behalf of Tomorrow's Fleet/Force—largely technology development—are organized in terms of a series of Future Naval Capabilities (FNCs) that focus on

major technical barriers challenging the Navy and Marine Corps in transforming themselves for 21st-Century operations. Components and systems developed to solve the operational problems defined by the FNCs are evaluated in feasibility demonstrations, prototypes, and field trials, with the results made available to Navy system developers. FNCs are fully integrated with Navy and Marine warfighting requirements and budget-development processes.

The Fiscal Year 2007 Budget request continues funding to develop several innovative Naval prototypes. These initiatives include an electro-magnetic railgun prototype; new concepts for persistent, netted, littoral anti-submarine warfare; technologies to enable Sea-basing; and the Naval tactical utilization of space. innovative Naval prototypes represent revolutionary "game changers" for future naval warfare.

A key S&T goal in addressing the Improvised Explosive Device (IED) threat is to understand the basic phenomenology involved in the ability to detect, defeat, and destroy IEDs at range and speed. Long-term basic and applied research will be conducted to address the foundations of current and future IED threats. Sensor, chemistry, physics, material, and electronic warfare expertise must be exploited by taking a scientific systems approach to attacking each step in the engagement sequence. Most importantly, this long-term initiative will explore fundamental scientific phenomena, creating a community of scholars across the human/behavior/social sciences with the physical science and technology, to render IEDs ineffective or unviable weapons of choice.

## *Management and Support*

Research, Development, Test, and Evaluation Management Support funds installations and efforts required for general research and development use. This includes operation of the Navy's test range sites and facilities; dedicated research and development aircraft and ship operations; and target and threat simulator development efforts. The funding level reflects required infrastructure support commensurate with overall Navy force structure and facilities management consolidations. Sixty-eight percent of this funding, or about $520 million in FY 2007, supports the Major Range and Test Facilities Base, necessary to conduct independent test and evaluation assessments for all Navy ship, submarine, aircraft, weapons, combat systems, and other development, acquisition, and operational system improvements.

The remaining categories of research are platform-related and have been discussed as applicable in the previous sections. Table 19 provides Research, Development, Test and Evaluation, Navy summary data at the budget activity level and highlights major systems efforts.

## *Table 19*

### *Department of the Navy*
### *Research, Development, Test and Evaluation*

*(In Millions of Dollars)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| **Significant RDT&E,N Activities** | $ | % of S&T | $ | % of S&T | $ | % of S&T |
| Science and Technology | 2,289 | *100%* | 2,296 | *100%* | 1,599 | *100%* |
| *Basic Research* | 478 | *21%* | 475 | *21%* | 456 | *28%* |
| *Applied Research* | 802 | *35%* | 799 | *35%* | 639 | *40%* |
| *Advanced Technology Development* | 1,009 | *44%* | 1,022 | *44%* | 504 | *32%* |
| Advanced Component Development | 3,091 | | 3,487 | | 2,909 | |
| System Development and Demonstration | 7,418 | | 8,829 | | 7,915 | |
| RDT&E Management Support | 998 | | 778 | | 765 | |
| Operational Systems Development | 3,281 | | 3,343 | | 3,723 | |
| **Total RDT&E,N** | **$17,077** | | **$18,733** | | **$16,911** | |
| | | | | | | |
| **NDSF R&D** | 52 | | 72 | | 109 | |
| **Total R&D** | **$17,129** | | **$18,805** | | **$17,020** | |
| | | | | | | |
| **Major Systems Efforts:** | | | | | | |
| Joint Strike Fighter | 2,084 | | 2,269 | | 2,031 | |
| MMA | 471 | | 950 | | 1,132 | |
| C4I | 773 | | 1,075 | | 1,005 | |
| DD(X) | 1,120 | | 1,068 | | 794 | |
| VXX | 536 | | 922 | | 683 | |
| Advanced Hawkeye | 542 | | 614 | | 498 | |
| EA-18G | 347 | | 394 | | 372 | |
| CH-53X | 99 | | 268 | | 363 | |
| Littoral Combat Ship (LCS) | 451 | | 574 | | 320 | |
| CVN-21 | 350 | | 303 | | 309 | |
| V-22 | 248 | | 203 | | 268 | |
| Unmanned Combat Aerial Vehicle (UCAV) | - | | - | | 239 | |
| Expeditionary Fighting Vehicle (EFV) | 239 | | 250 | | 188 | |
| Virginia Class SSN | 157 | | 176 | | 170 | |
| Unmanned Aerial Vehicles (UAV) | 141 | | 115 | | 142 | |
| MPF Family | 28 | | 58 | | 86 | |

Note: Totals may not add due to rounding.


| **Also refer to Appendix A for more information:** | **Table** |
|---|---|
| Research, Development, Test and Evaluation, Navy | A–16 |
| National Defense Sealift Fund | A–17 |

# *SECTION VI - FINANCIAL SUMMARY*

Total Obligational Authority (TOA) has been used throughout this book to express the amounts in the Department of the Navy budget because it is the most accurate reflection of program value. While TOA amounts differ only slightly from Budget Authority (BA) in some cases, they can differ substantially in others. The differences in TOA and BA, as evidenced in the table below, result from a combination of several factors.

BA, Budget Authority - Authority provided by law to enter obligations that will result in immediate or future outlays involving Federal government funds.

TOA, Total Obligation Authority - The value of the direct defense program for each fiscal year regardless of the method of financing.

**TOA vs BA**
*(In Millions of Dollars)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Total Obligational Authority (TOA)** | **$133,560** | **$132,492** | **$127,322** |
| Receipts and Other Funds | 86 | -230 | -230 |
| Sales of Land Revenue | 0 | -133 | |
| Expiring Balances | 119 | 0 | |
| Rescission of Prior Year Programs | -199 | -206 | |
| NWCF Contract Authority | 740 | 0 | |
| Construction / Housing Transfers | -15 | 112 | |
| Other Transfers | -2,632 | -76 | |
| **Total Budget Authority** | **$131,659** | **$131,959** | **$127,092** |

Receipts and Other Funds are reflected in BA, but not in TOA. Offsetting Receipts include such things as donations to the Navy and Marine Corps, recoveries from foreign military sales, deposits for survivor annuity benefits, interest on loans and investments, rents and utilities, and fees chargeable under the Freedom of Information Act. Trust Funds include funds established for the Navy General Gift Fund, environmental restoration of Kaho'olawe Island in Hawaii, Ships Stores Profits, and the Naval Academy Gift and Museum Fund.

Financing adjustments account for many of the differences between TOA and BA. Generally, funding changes are scored as budget authority adjustments in the fiscal

year in which the change itself is effective; for TOA purposes, changes are reflected as adjustments to a specific program year, based on the original appropriation.

Expiring balances also contribute to the difference between TOA and BA. Expiring balances are funds that were included in BA available for FY 2005 accounts, but were not obligated prior to the end of the fiscal year. These amounts are included in BA totals, but not TOA.

Working Capital Fund contract authority reflects the use of authority to place orders in advance of actual sales, and are included in BA, but not TOA.

Land sales revenue is generated by the sale of property closed due to BRAC. The sales are available to finance TOA program, but are not reflected as BA.

Other transfers include adjustments to finance programs with prior balances and reduce the need for BA in the budget year. These include unobligated balances transferred from the Foreign Currency Fluctuation Fund, and transfers from supplemental accounts.

Construction/housing transfers are transfers authorized to shift authority from many different program years to support efforts such as the Family Housing Improvement Fund.

Outlays represent the net of expenditures and collections from the Treasury of the United States Government. Outlays in a given fiscal year may represent the liquidation of obligation incurred over a number of years. The TOA and BA levels for FY 2004 through FY 2007 along with DON outlay estimates are summarized in Table 20.

# Table 20

## Department of the Navy

## Summary of Direct Budget Plan (TOA), Budget Authority, and Outlays

(Dollars in Millions)

| | TOA | | | BA | | | OUTLAY | | |
|---|---|---|---|---|---|---|---|---|---|
| Account | **FY 2005** | **FY 2006** | **FY 2007** | **FY 2005** | **FY 2006** | **FY 2007** | **FY 2005** | **FY 2006** | **FY 2007** |
| MPN | 25,294 | 22,753 | 23,271 | 25,129 | 22,753 | 23,271 | 24,228 | 22,749 | 23,249 |
| MPMC | 10,817 | 9,408 | 9,335 | 10,814 | 9,346 | 9,335 | 10,166 | 8,683 | 8,874 |
| RPN | 2,099 | 1,707 | 1,778 | 2,101 | 1,707 | 1,778 | 2,174 | 1,781 | 1,820 |
| RPMC | 602 | 510 | 551 | 604 | 510 | 551 | 635 | 536 | 548 |
| DHAN | - | 2,029 | 2,074 | - | 2,029 | 2,074 | - | 2,006 | 2,140 |
| DHAMC | - | 982 | 1,051 | - | 982 | 1,051 | - | 982 | 1,048 |
| DHANR | - | 292 | 287 | - | 292 | 287 | - | 292 | 312 |
| DHAMCR | - | 137 | 145 | - | 137 | 145 | - | 137 | 146 |
| OMN | 33,892 | 31,770 | 31,331 | 33,314 | 31,756 | 31,331 | 31,726 | 30,784 | 31,461 |
| OMMC | 6,238 | 5,489 | 3,879 | 4,594 | 5,489 | 3,879 | 5,387 | 4,176 | 4,268 |
| OMNR | 1,364 | 1,644 | 1,289 | 1,368 | 1,644 | 1,289 | 1,213 | 1,252 | 1,280 |
| OMMCR | 201 | 242 | 212 | 201 | 242 | 212 | 212 | 195 | 199 |
| ERN | - | 301 | 304 | - | 301 | 304 | 59 | 187 | 191 |
| NWCF | 294 | 83 | 84 | 1,035 | 83 | 84 | 125 | 249 | 254 |
| Payment to Kaho'olawe | 1 | - | - | - | - | - | - | - | - |
| APN | 9,011 | 9,786 | 10,869 | 8,945 | 9,769 | 10,869 | 8,914 | 9,193 | 9,395 |
| WPN | 2,191 | 2,741 | 2,555 | 2,166 | 2,741 | 2,555 | 1,930 | 2,319 | 2,370 |
| SCN | 10,373 | 10,595 | 10,579 | 10,384 | 10,553 | 10,579 | 10,304 | 9,883 | 10,100 |
| OPN | 4,862 | 5,486 | 4,968 | 4,838 | 5,443 | 4,968 | 4,696 | 5,021 | 5,131 |
| PMC | 5,030 | 3,036 | 1,274 | 4,839 | 3,032 | 1,274 | 1,543 | 1,428 | 1,459 |
| PANMC | 1,024 | 882 | 790 | 1,024 | 882 | 790 | 1,121 | 969 | 990 |
| Coastal Defense | - | - | - | - | - | | 56 | - | - |
| RDTEN | 17,077 | 18,734 | 16,912 | 16,900 | 18,701 | 16,912 | 15,728 | 17,196 | 17,574 |
| NDSF | 1,107 | 1,078 | 1,072 | 1,236 | 1,078 | 1,072 | 1,082 | 1,370 | 1,400 |
| **Total DoD Bill** | 131,477 | 129,686 | 124,608 | 129,492 | 129,470 | 124,608 | 121,299 | 121,388 | 124,212 |
| MCN | 1,328 | 1,437 | 1,162 | 1,320 | 1,387 | 1,162 | 1,131 | 1,357 | 1,387 |
| MCNR | 37 | 167 | 48 | 49 | 150 | 48 | 56 | 44 | 45 |
| BRCIV | - | 133 | - | - | - | - | 370 | 168 | 172 |
| BRCV | - | 247 | 690 | - | 247 | 690 | - | - | 0 |
| FHCON | 12 | 191 | 305 | (2) | 303 | 305 | 220 | 55 | 56 |
| FHOPS | 706 | 632 | 509 | 714 | 632 | 509 | 795 | 648 | 662 |
| **Total MILCON Bill** | 2,083 | 2,806 | 2,714 | 2,081 | 2,719 | 2,714 | 2,572 | 2,272 | 2,322 |
| Receipts and Other Funds | - | - | - | 86 | (230) | (230) | (150) | (155) | (158) |
| **Total, DON** | 133,560 | 132,492 | 127,322 | 131,659 | 131,959 | 127,092 | 123,721 | 123,505 | 126,376 |

Note: Totals may not add due to rounding.

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# *MILITARY PERSONNEL, NAVY*

## *Table A-1a*

***Department of the Navy***
***Military Personnel, Navy***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Pay and Allowances of Officers | 6,186 | 5,790 | 5,993 |
| Pay and Allowances of Enlisted | 17,106 | 14,950 | 15,452 |
| Pay and Allowances of Midshipmen | 56 | 56 | 56 |
| Subsistence of Enlisted Personnel | 946 | 911 | 915 |
| Permanent Change of Station Travel | 843 | 787 | 733 |
| Other Military Personnel Costs | 158 | 259 | 122 |
| **Total: MPN** | **$25,294** | **$22,753** | **$23,271** |

Note: Totals may not add due to rounding.

# *MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, NAVY*

## *Table A-1b*

***Department of the Navy***
***Medicare-Eligible Retiree Health Fund Contribution, Navy***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Pay and Allowances of Officers | - | 300 | 314 |
| Pay and Allowances of Enlisted | - | 1,729 | 1,760 |
| **Total: DHAN** | **$-** | **$2,029** | **$2,074** |

Note: Totals may not add due to rounding.

# *MILITARY PERSONNEL, MARINE CORPS*

## *Table A-2a*

***Department of the Navy***
***Military Personnel, Marine Corps***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Pay and Allowances of Officers | 2,152 | 1,986 | 1,964 |
| Pay and Allowances of Enlisted | 7,514 | 6,244 | 6,411 |
| Subsistence of Enlisted Personnel | 569 | 541 | 549 |
| Permanent Change of Station Travel | 335 | 350 | 345 |
| Other Military Personnel Costs | 247 | 287 | 66 |
| **Total: MPMC** | **$10,817** | **$9,408** | **$9,335** |

Note: Totals may not add due to rounding.

# *MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, MARINE CORPS*

## *Table A-2b*

***Department of the Navy***
***Medicare-Eligible Retiree Health Fund Contribution, Marine Corps***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Pay and Allowances of Officers | - | 105 | 112 |
| Pay and Allowances of Enlisted | - | 877 | 939 |
| **Total: DHAMC** | **$-** | **$982** | **$1,051** |

Note: Totals may not add due to rounding.

# *RESERVE PERSONNEL, NAVY*

## *Table A-3a*

***Department of the Navy***
***Reserve Personnel, Navy***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Unit and Individual Training | 876 | 1,707 | 649 |
| Other Training and Support | 1,223 | - | 1,129 |
| **Total: RPN** | **$2,099** | **$1,707** | **$1,778** |

Note: Totals may not add due to rounding.

# *MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, NAVY RESERVE*

## *Table A-3b*

***Department of the Navy***
***Medicare-Eligible Retiree Health Fund Contribution, Navy Reserves***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Unit and Individual Training | - | 292 | 287 |
| **Total: DHANR** | **$-** | **$292** | **$287** |

Note: Totals may not add due to rounding.

# *RESERVE PERSONNEL, MARINE CORPS*

## *Table A-4a*

***Department of the Navy***

***Reserve Personnel, Marine Corps***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Unit and Individual Training | 345 | 510 | 278 |
| Other Training and Support | 256 | - | 273 |
| **Total: RPMC** | **$602** | **$510** | **$551** |

Note: Totals may not add due to rounding.

# *MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION, MARINE CORPS RESERVE*

## *Table A-4b*

***Department of the Navy***

***Medicare-Eligible Retiree Health Fund Contribution, Marine Corps Reserve***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Unit and Individual Training | - | 137 | 145 |
| **Total: DHAMCR** | **$-** | **$137** | **$145** |

Note: Totals may not add due to rounding.

# *OPERATION AND MAINTENANCE, NAVY*

## *Table A-5*

### *Department of the Navy*
### *Operation and Maintenance, Navy*

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Operating Forces** | | | |
| Air Operations | 6,632 | 6,306 | 6,162 |
| Ship Operations | 9,196 | 8,472 | 8,514 |
| Combat Operations/Support | 3,432 | 3,405 | 2,406 |
| Weapons Support | 1,508 | 1,481 | 1,929 |
| NWCF Support | - | -50 | - |
| Base Support | 5,206 | 4,939 | 5,385 |
| **Total - Operating Forces** | **$25,973** | **$24,553** | **$24,397** |
| | | | |
| **Mobilization** | | | |
| Ready Reserve and Prepositioning Forces | 597 | 526 | 546 |
| Activations/Inactivations | 222 | 121 | 202 |
| Mobilization Preparedness | 56 | 46 | 53 |
| **Total - Mobilization** | **$875** | **$694** | **$800** |
| | | | |
| **Training and Recruiting** | | | |
| Accession Training | 226 | 194 | 250 |
| Basic Skills and Advanced Training | 1,233 | 1,247 | 1,233 |
| Recruiting & Other Training and Education | 528 | 562 | 516 |
| **Total - Training and Recruiting** | **$1,987** | **$2,002** | **$1,999** |
| | | | |
| **Administration and Servicewide Support** | | | |
| Servicewide Support | 2,000 | 2,007 | 2,085 |
| Logistics Operations and Technical Support | 1,999 | 1,544 | 1,150 |
| Investigations and Security Programs | 952 | 959 | 888 |
| Support of Other Nations | 101 | 10 | 10 |
| Cancelled Accounts | 4 | - | - |
| **Total - Administration and Servicewide Support** | **$5,057** | **$4,520** | **$4,134** |
| | | | |
| **Total: O&MN** | **$33,892** | **$31,770** | **$31,331** |

Note: Totals may not add due to rounding.

# *OPERATION AND MAINTENANCE, MARINE CORPS*

## *Table A-6*

***Department of the Navy***
***Operation and Maintenance, Marine Corps***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Operating Forces** | | | |
| Expeditionary Forces | 3,263 | 2,522 | 1,039 |
| USMC Prepositioning | 99 | 92 | 76 |
| Base Support | 1,601 | 1,800 | 1,847 |
| **Total - Operating Forces** | **$4,964** | **$4,415** | **$2,963** |
| | | | |
| **Training and Recruiting** | | | |
| Accession Training | 11 | 11 | 12 |
| Basic Skills and Advanced Training | 196 | 184 | 202 |
| Recruiting & Other Training and Education | 199 | 191 | 182 |
| Base Support | 228 | 201 | 192 |
| **Total - Training and Recruiting** | **$634** | **$587** | **$588** |
| | | | |
| **Administration and Servicewide Support** | | | |
| Servicewide Support | 620 | 469 | 313 |
| Base Support | 20 | 18 | 15 |
| **Total - Administration and Servicewide Support** | **$640** | **$487** | **$328** |
| | | | |
| **Total: O&MMC** | **$6,238** | **$5,489** | **$3,879** |

Note: Totals may not add due to rounding.

# *OPERATION AND MAINTENANCE, NAVY RESERVE*

## *Table A-7*

***Department of the Navy***
***Operation and Maintenance, Navy Reserve***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Operating Forces** | | | |
| Air Operations | 710 | 669 | 742 |
| Ship Operations | 160 | 133 | 135 |
| Combat Operations/Support | 247 | 239 | 123 |
| Weapons Support | 6 | 5 | 6 |
| Base Support | 213 | 569 | 260 |
| **Total - Operating Forces** | **$1,335** | **$1,616** | **$1,265** |
| | | | |
| **Administration and Servicewide Support** | | | |
| Servicewide Support | 29 | 28 | 23 |
| **Total - Administration and Servicewide Support** | **$29** | **$28** | **$23** |
| | | | |
| **Total: O&MNR** | **$1,364** | **$1,644** | **$1,289** |

Note: Totals may not add due to rounding.

# *OPERATION AND MAINTENANCE, MARINE CORPS RESERVE*

## *Table A-8*

***Department of the Navy***
***Operation and Maintenance, Marine Corps Reserve***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Operating Forces** | | | |
| Expeditionary Forces | 114 | 119 | 96 |
| Base Support | 53 | 92 | 83 |
| **Total - Operating Forces** | **$167** | **$212** | **$178** |
| | | | |
| **Administration and Servicewide Support** | | | |
| Servicewide Support | 29 | 26 | 29 |
| Base Support | 5 | 4 | 5 |
| **Total - Administration and Servicewide Support** | **$33** | **$31** | **$34** |
| | | | |
| **Total: O&MMCR** | **$201** | **$242** | **$212** |

Note: Totals may not add due to rounding.

# *ENVIRONMENTAL RESTORATION, NAVY*

## *Table A-9*

***Department of the Navy***

***Environmental Restoration, Navy***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Environmental Restoration Activities | - | 302 | 304 |
| **Total: ERN** | **-** | **$302** | **$304** |

Note: Totals may not add due to rounding.

# *AIRCRAFT PROCUREMENT, NAVY*

## *Table A-10*

### *Department of the Navy*
### *Aircraft Procurement, Navy*

*(Dollars in Millions)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| Combat Aircraft | 80 | 5,071 | 101 | 5,993 | 119 | 7,105 |
| Airlift Aircraft | 5 | 187 | - | 10 | - | - |
| Trainer Aircraft | 13 | 318 | 9 | 256 | 33 | 522 |
| Other Aircraft | 13 | 336 | 14 | 433 | 13 | 339 |
| Modification of Aircraft | - | 1,513 | - | 1,487 | - | 1,533 |
| Aircraft Spares and Repair Parts | - | 966 | - | 1,005 | - | 813 |
| Aircraft Support Equipment and Facilities | - | 621 | - | 602 | - | 557 |
| **Total: APN** | **111** | **$9,011** | **124** | **$9,786** | **165** | **$10,869** |
| **R&D Aircraft** | **5** | ***** | **10** | ***** | **-** | ***** |
| **Total Aircraft Procurement** | **116** | **$9,011** | **134** | **$9,786** | **165** | **$10,869** |

*Funded in RDT&E,N

Note: Totals may not add due to rounding.

# *WEAPONS PROCUREMENT, NAVY*

## *Table A-11*

### *Department of the Navy*
### *Weapons Procurement, Navy*

*(Dollars in Millions)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| **Ballistic and Other Missiles** | | | | | | |
| TRIDENT II | 5 | 715 | - | 905 | - | 958 |
| Tomahawk | 298 | 277 | 408 | 372 | 350 | 355 |
| STANDARD | 75 | 149 | 75 | 144 | 75 | 140 |
| JSOW | 405 | 141 | 420 | 144 | 397 | 126 |
| ESSM | 71 | 80 | 116 | 99 | 108 | 100 |
| AMRAAM | 37 | 29 | 85 | 74 | 150 | 99 |
| RAM | 86 | 47 | 90 | 86 | 90 | 57 |
| AIM-9X | 135 | 31 | 159 | 37 | 174 | 40 |
| Hellfire | 700 | 63 | 422 | 38 | - | - |
| Other | - | 223 | - | 260 | - | 185 |
| **Torpedoes and Related Equipment** | | | | | | |
| Mk-46 Torpedo Mods | - | 61 | - | 69 | - | 97 |
| Mk-48 Torpedo ADCAP Mods | - | 61 | - | 58 | - | 62 |
| Torpedo Support Equipment | - | 23 | - | 29 | - | 26 |
| Other | - | 47 | - | 47 | - | 51 |
| **Other Weapons/Spares** | | | | | | |
| CIWS & MODS | - | 100 | - | 193 | - | 151 |
| 5/54 and Other Gun Mount Mods | - | 43 | - | 82 | - | 9 |
| All Other | - | 101 | - | 105 | - | 102 |
| **Total: WPN** | **1,812** | **$2,191** | **1,775** | **$2,741** | **1,344** | **$2,555** |

Note: Totals may not add due to rounding.

# *SHIPBUILDING AND CONVERSION, NAVY*

## *Table A-12*

### *Department of the Navy*
### *Shipbuilding and Conversion, Navy*

*(Dollars in Millions)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| **New Construction** | | | | | | |
| CVN-21 | - | 623 | - | 619 | - | 784 |
| SSN-774 | 1 | 2,570 | 1 | 2,368 | 1 | 2,452 |
| DDG-51 | 3 | 3,557 | - | 147 | - | 356 |
| DD(X) | - | 304 | - | 706 | 2 | 2,568 |
| LCS | 1 | * | 3 | ***440 | 2 | 521 |
| LPD-17 | 1 | 1,226 | 1 | 1,326 | - | 297 |
| LHD-1 | - | 238 | - | 195 | - | - |
| LHA(R) | - | 149 | - | 148 | 1 | 1,136 |
| T-AKE | 2 | ** | 1 | ** | 1 | ** |
| **Total New Construction** | **8** | **$8,668** | **6** | **$5,949** | **7** | **$8,114** |
| **Conversions** | | | | | | |
| SSGN Conversion | 1 | 515 | - | 283 | - | - |
| **Total Conversion** | **1** | **$515** | **-** | **$283** | **-** | **$-** |
| **Other** | | | | | | |
| RCOH | - | 331 | 1 | 1,318 | - | 1,072 |
| SSBN ERO | 1 | 325 | 1 | 288 | 1 | 226 |
| SSN ERO | - | 4 | - | - | - | 22 |
| LCAC SLEP | 5 | 104 | 6 | 98 | 6 | 111 |
| Outfitting | - | 348 | - | 363 | - | 411 |
| Service Craft | - | 16 | - | 45 | - | 45 |
| Completion of PY Shipbuilding Programs | - | - | - | ****2,201 | - | 578 |
| DDG Modernization Program | - | 50 | - | 50 | - | - |
| Power Unit Assembly Facility | - | 11 | - | - | - | - |
| Special Purpose | - | 2 | - | - | - | - |
| **Total Other** | **6** | **$1,190** | **8** | **$4,363** | **7** | **$2,464** |
| **Total: SCN $M** | **15** | **$10,373** | **14** | **$10,595** | **14** | **$10,579** |

*** Funded in R&D**

**** Funded in NDSF**

***** One LCS Funded in R&D**

****** Includes Hurricane Katrina Supplemental Funding of $1,689 million**

Note: Totals may not add due to rounding.

# *OTHER PROCUREMENT, NAVY*

## *Table A-13*

***Department of the Navy***

***Other Procurement, Navy***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Ship Support Equipment | 1,310 | 1,592 | 1,511 |
| Communications and Electronics Equipment | 1,735 | 1,816 | 1,721 |
| Aviation Support Equipment | 284 | 287 | 336 |
| Ordnance Support Equipment | 652 | 671 | 562 |
| Civil Engineering Support Equipment | 182 | 302 | 216 |
| Supply Support Equipment | 117 | 114 | 98 |
| Personnel and Command Support Equipment | 339 | 442 | 304 |
| Spares and Repair Parts | 244 | 261 | 220 |
| **Total: OPN** | **$4,862** | **$5,486** | **$4,968** |

Note: Totals may not add due to rounding.

# *PROCUREMENT, MARINE CORPS*

## *Table A-14*

### *Department of the Navy*
### *Procurement, Marine Corps*

*(Dollars in Millions)*

| | FY 2005 | | FY 2006 | | FY 2007 | |
|---|---|---|---|---|---|---|
| | QTY | $ | QTY | $ | QTY | $ |
| **Weapons and Combat Vehicles** | | | | | | |
| Expeditionary Fighting Vehicle (EFV) | - | 52 | - | 29 | 15 | 256 |
| LW155MM Lightweight Howitzer | 106 | 226 | 75 | 169 | 34 | 94 |
| HIMARS | 1 | 16 | 18 | 177 | 6 | 58 |
| LAV PIP | - | 580 | - | 139 | - | 26 |
| AAV7A1 PIP | - | 155 | - | 21 | - | 12 |
| Weapons and Combat Vehicles under $5 million | - | 52 | - | 99 | - | 9 |
| Other | - | 160 | - | 84 | - | 52 |
| **Guided Missiles and Equipment** | | | | | | |
| Ground Based Air Defense (GBAD) | - | 10 | - | 2 | - | 4 |
| JAVELIN | 432 | 39 | - | - | - | - |
| Other | - | 44 | - | 4 | - | 6 |
| **Communication and Electronics Equipment** | | | | | | |
| Intelligence Support Equipment | - | 37 | - | 86 | - | 26 |
| Comm Switching & Control Systems | - | 106 | - | 143 | - | 49 |
| Common Computer Resources | - | 80 | - | 58 | - | 67 |
| Radio Systems | - | 355 | - | 221 | - | 54 |
| Night Vision Equipment | - | 606 | - | 103 | - | 14 |
| Comm & Elec Infrastructure Support | - | 61 | - | 19 | - | 17 |
| Command Post Systems | - | 15 | - | 104 | - | 20 |
| Air Operations C2 Systems | - | 22 | - | 17 | - | 41 |
| Fire Support System | - | 51 | - | 32 | - | 32 |
| Other | - | 430 | - | 150 | - | 71 |
| **Support Vehicles** | | | | | | |
| 5/4T Truck HMMWV (MYP) | 3,611 | 440 | 2,624 | 271 | 851 | 72 |
| Logistics Vehicle System Rep | - | 95 | - | 31 | - | 69 |
| Medium Tactical Vehicle Replacement | - | 211 | - | 275 | - | 1 |
| Other | - | 411 | - | 44 | - | 28 |
| **Engineer And Other Equipment** | - | 746 | - | 732 | - | 159 |
| **Spares and Repair Parts** | - | 34 | - | 25 | - | 36 |
| **Total: PMC** | **4,150** | **$5,030** | **2,717** | **$3,036** | **906** | **$1,274** |

Note: Totals may not add due to rounding.

# *PROCUREMENT OF AMMUNITION, NAVY AND MARINE CORPS*

## *Table A-15*

***Department of the Navy***

***Procurement of Ammunition, Navy and Marine Corps***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Navy Ammunition | 661 | 554 | 497 |
| Marine Corps Ammunition | 362 | 327 | 292 |
| **Total: PANMC** | **$1,024** | **$882** | **$790** |

Note: Totals may not add due to rounding.

# *RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY*

## *Table A-16*

***Department of the Navy***

***Research, Development, Test and Evaluation, Navy***

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Basic Research | 478 | 475 | 456 |
| Applied Research | 802 | 799 | 639 |
| Advanced Technology Development | 1,008 | 1,022 | 505 |
| Advanced Component Development | 3,091 | 3,488 | 2,919 |
| System Development and Demonstration | 7,418 | 8,829 | 7,915 |
| RDT&E Management Support | 998 | 778 | 765 |
| Operational Systems Development | 3,281 | 3,343 | 3,713 |
| **Total: RDT&E,N** | **$17,077** | **$18,734** | **$16,912** |

Note: Totals may not add due to rounding.

# *NATIONAL DEFENSE SEALIFT FUND*

## *Table A-17*

### *Department of the Navy*
### *National Defense Sealift Fund*

*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Strategic Sealift Acquisition | 639 | 388 | 533 |
| DoD Mobilization Assets | 186 | 416 | 216 |
| Research and Development | 52 | 72 | 109 |
| Ready Reserve Force | 230 | 203 | 214 |
| **Total: NDSF** | **$1,107** | **$1,078** | **$1,072** |

Note: Totals may not add due to rounding.

# *MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE*

## *Table A-18*

***Department of the Navy***
***Military Construction, Navy and Navy Reserve***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Significant Programs | | | |
| Operational & Training Facilities | 297 | 485 | 416 |
| Maintenance & Production Facilities | 198 | 260 | 215 |
| R&D Facilities | 69 | 144 | 19 |
| Supply Facilities | 27 | 9 | 11 |
| Medical Facilities | - | - | 3 |
| Administrative Facilities | 82 | 44 | 22 |
| Housing Facilities | 320 | 214 | 211 |
| Community Facilities | 49 | 50 | 31 |
| Utility Facilities & Ground Improvements | 72 | 141 | 24 |
| Pollution Abatement | 64 | 35 | 33 |
| Real Estate | 15 | 2 | 77 |
| Unspecified Minor Construction | 7 | - | 9 |
| Planning And Design | 100 | 49 | 68 |
| General Defense Intelligence Program | - | 4 | 23 |
| Foreign Currency | 28 | - | - |
| **Total: Navy** | **$1,328** | **$1,437** | **$1,162** |
| | | | |
| **Naval Reserve** | | | |
| Significant Programs | | | |
| Operational & Training Facilities | 24 | 40 | 28 |
| Maintenance & Production Facilities | 8 | 63 | 15 |
| Supply Facilities | - | - | 2 |
| Administrative Facilities | - | 10 | - |
| Housing Facilities | - | 9 | - |
| Community Facilities | 3 | 14 | - |
| Utility Facilities & Ground Improvements | - | 22 | - |
| Unspecified Minor Construction | - | 1 | 1 |
| Planning and Design | 2 | 8 | 2 |
| **Total: Naval Reserve** | **$37** | **$167** | **$48** |

Note: Totals may not add due to rounding.

# *FAMILY HOUSING, NAVY AND MARINE CORPS*

## *Table A-19*

***Department of the Navy***
***Family Housing, Navy and Marine Corps***
*(Dollars in Millions)*

| | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| **Navy** | | | |
| Construction | 12 | 191 | 123 |
| O&M | 565 | 522 | 432 |
| **Total: Navy** | **$577** | **$713** | **$555** |
| | | | |
| **Marine Corps** | | | |
| Construction | - | - | 182 |
| O&M | 141 | 109 | 77 |
| **Total: Marine Corps** | **$141** | **$109** | **$259** |
| | | | |
| **Total: FH,N&MC** | **$718** | **$822** | **$814** |
| | | | |
| **New Construction Projects** | | | |
| Navy | - | 1 | 2 |
| Marine Corps | - | - | 1 |
| | | | |
| **Construction Units** | | | |
| Navy | - | 126 | 176 |
| Marine Corps | - | - | 74 |
| | | | |
| **Average Number of Units** | | | |
| Navy | 36,129 | 23,229 | 21,527 |
| Marine Corps | 15,326 | 9,996 | 4,818 |

Note: Totals may not add due to rounding.

# *BASE REALIGNMENT AND CLOSURE ACCOUNTS*

## *Table A-20*

### *Department of the Navy*
### *Base Realignment and Closure Accounts*

*(Dollars in Millions)*

| Costs | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|
| Base Realignment and Closure IV | - | 133 | - |
| Base Realignment and Closure V | - | 247 | 690 |
| **Total: BRAC** | **-** | **$380** | **$690** |

Note: Totals may not add due to rounding.

# *NAVY WORKING CAPITAL FUND*

## *Table A-21*

***Department of the Navy***
***Navy Working Capital Fund***
*(Dollars in Millions)*

| **Costs** | **FY 2005** | **FY 2006** | **FY 2007** |
|---|---|---|---|
| Navy Working Capital Fund | 294 | 83 | 84 |
| **Total: NWCF** | **$294** | **$83** | **$84** |

Note: Totals may not add due to rounding.

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